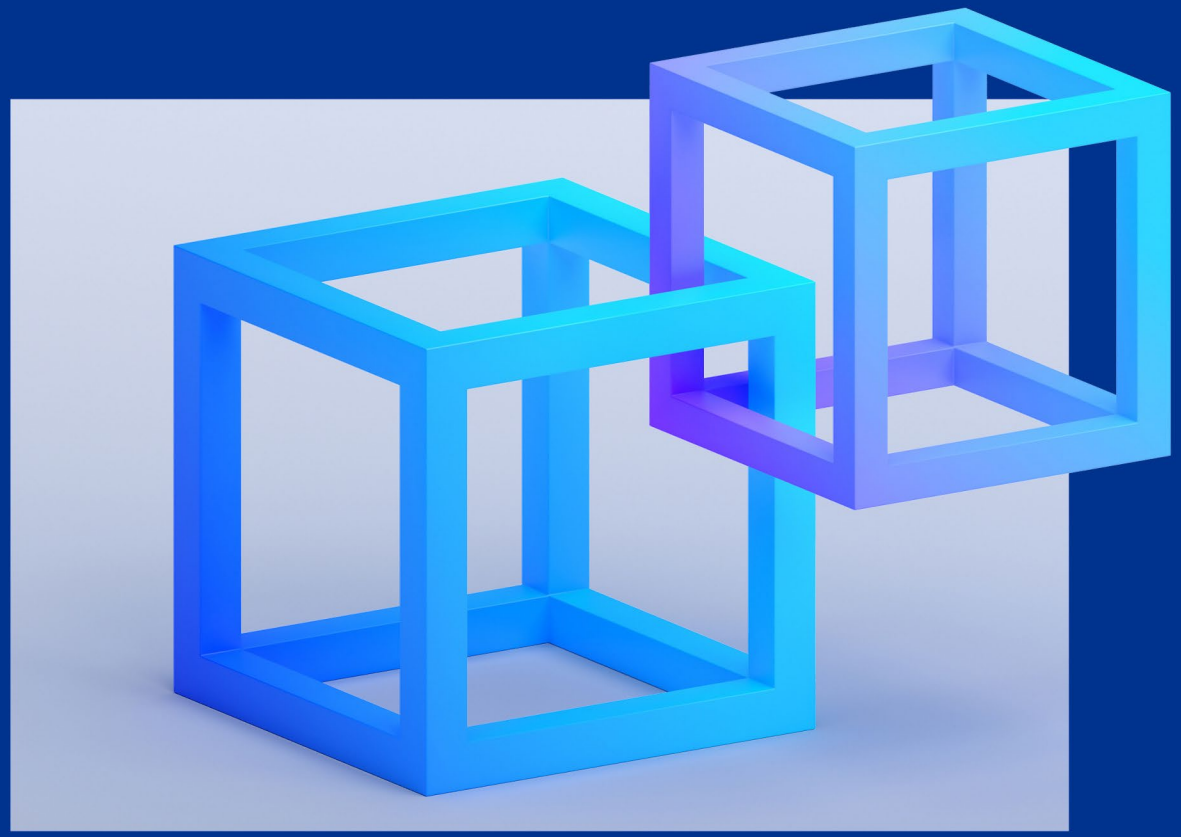
KPMG

Scottish National Investment Bank plc



Report to the members of Scottish National Investment Bank plc, the Auditor General for Scotland and the Scottish Parliament.

Consolidated financial statements for the year ended 31 March 2026

—

21 July 2026

Introduction

To the Audit Committee of Scottish National Investment Bank plc

We were pleased to have the opportunity to meet with you on 14 July 2026 to discuss the results of our audit of the consolidated financial statements of Scottish National Investment Bank plc (the 'Company') (the Group'), as at and for the year ended 31 March 2026.

We are providing this report following the meeting to summarise conclusions after the completion of all outstanding matters. This report should be read in conjunction with our audit plan and strategy report, presented on 20 November 2025.

Status update

Subject to the Board's approval, we expect to be in a position to sign our audit opinion on the Board's approval of the financial statements and auditor's representation letter on 21 July.

There have been no significant changes to our audit plan and strategy.

We expect to issue an unmodified Auditor's Report.

We draw your attention to the important notice on page 3 of this report, which explains:

- The purpose of this report
- Limitations on work performed
- Restrictions on distribution of this report

Yours sincerely,

Hannah Walsh

21 July 2026

How we deliver audit quality

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion.

We consider risks to the quality of our audit in our engagement risk assessment and planning discussions.

We define 'audit quality' as being the outcome when:

- Audits are executed consistently, in line with the requirements and intent of applicable professional standards within a strong system of quality management; and,
- All of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity.

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Important notice

This report is presented under the terms of our audit engagement letter.

Circulation of this report is restricted.

The content of this report is based solely on the procedures necessary for our audit.

Purpose of this report

This Report has been prepared in connection with our audit of the consolidated financial statements of Scottish National Investment Bank plc (the 'Company') (the 'Group'), prepared in accordance with International Financial Reporting Standards ('IFRSs'), as interpreted and adapted by 2025-26 Government Financial Reporting Manual (the "2025/26 FReM"), as at and for the year ended 31 March 2026.

This report is for the benefit of Scottish National Investment Bank Plc ('SNIB') and is made available to Audit Scotland, the Auditor General and the Scottish Government, as a body (together 'the Beneficiaries'). This report has not been designed to be of benefit to anyone except the Beneficiaries. In preparing this report we have not taken into account the interests, needs or circumstances of anyone apart from the Beneficiaries, although we may have been aware that others might read this report. We have prepared this report for the benefit of the Beneficiaries alone.

Nothing in this report constitutes an opinion on a valuation or legal advice.

This report summarises the key issues identified during our audit but does not repeat matters we have previously communicated to you by written communication.

Limitations on work performed

This Report is separate from our audit report and does not provide an additional opinion on the Group's financial statements, nor does it add to or extend or alter our duties and responsibilities as auditors reporting to the Company's members in accordance with the Companies Act.

We have not designed or performed procedures outside those required of us as auditors for the purpose of identifying or communicating any of the matters covered by this Report.

The matters reported are based on the knowledge gained as a result of being your auditors. We have not verified the accuracy or completeness of any such information other than in connection with and to the extent required for the purposes of our audit.

Status of our audit

Our audit is complete at the time of writing.

Restrictions on distribution

This report is not suitable to be relied on by any party wishing to acquire rights against KPMG LLP (other than the Beneficiaries) for any purpose or in any context. Any party other than the Beneficiaries that obtains access to this report or a copy (under the Freedom of Information Act 2000, the Freedom of Information (Scotland) Act 2002, through a Beneficiary's Publication Scheme or otherwise) and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, KPMG LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the Beneficiaries.

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Our audit findings

Significant audit risks		Page 6-8
Those marked as key audit matters for the parent company and group will be covered in our final audit report.		
Significant audit risks	**Risk change**	**Our findings**
Management override of controls	No change	We have not identified any instances of management override of control though our audit procedures.
Valuation of certain unlisted investments excluding fund investments held at NAV (key audit matter)	No change	Our procedures over the valuation of certain unlisted investments excluding fund investments held at NAV are complete. Since planning we have identified a fraud risk over the valuation of these investments as explained on page 5. This has not had a significant impact on our audit approach, and we have no significant findings to report.
Key accounting estimates		**Page 7-8**
Valuation of unlisted investments excluding fund investments held at NAV	Neutral	We review variable inputs to each valuation that we test. Our procedures are substantially complete, and at the time of writing we have not identified any indicators of potential management bias.

Corrected/Uncorrected Audit Misstatements
We have identified 3 corrected audit differences including differences in disclosure. See page 12 for details.
We have identified 6 uncorrected audit differences including differences in disclosure. See page 12 for details.

Number of Control deficiencies	Page 11
Significant control deficiencies	1
Other control deficiencies	3
Less significant control deficiencies	2

Materiality Financial statements	Actual £'000s
Total assets	709,012
Materiality (Group)	17,300
Reporting threshold (Group)	865
Materiality (Parent)	17,100
Reporting threshold (Parent)	855

We have performed a re-evaluation of materiality as at 31 March 2026. As the benchmark has not significantly increased from the materiality communicated at planning, we have not identified any reason to revise materiality.

Our materiality assessment for Directors' Remuneration disclosures is unchanged from planning. We have concluded our testing with no misstatements to report but have requested a specific item in the final letter of representation surrounding taxable benefit disclosures relating to expenses reimbursed to Directors in the period.

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Significant risks and Other audit risks

We discussed the significant risks which had the greatest impact on our audit with you when we were planning our audit.

Our risk assessment draws upon our historic knowledge of the business, the industry and the wider economic environment in which the group operates.

We also use our regular meetings with senior management to update our understanding.

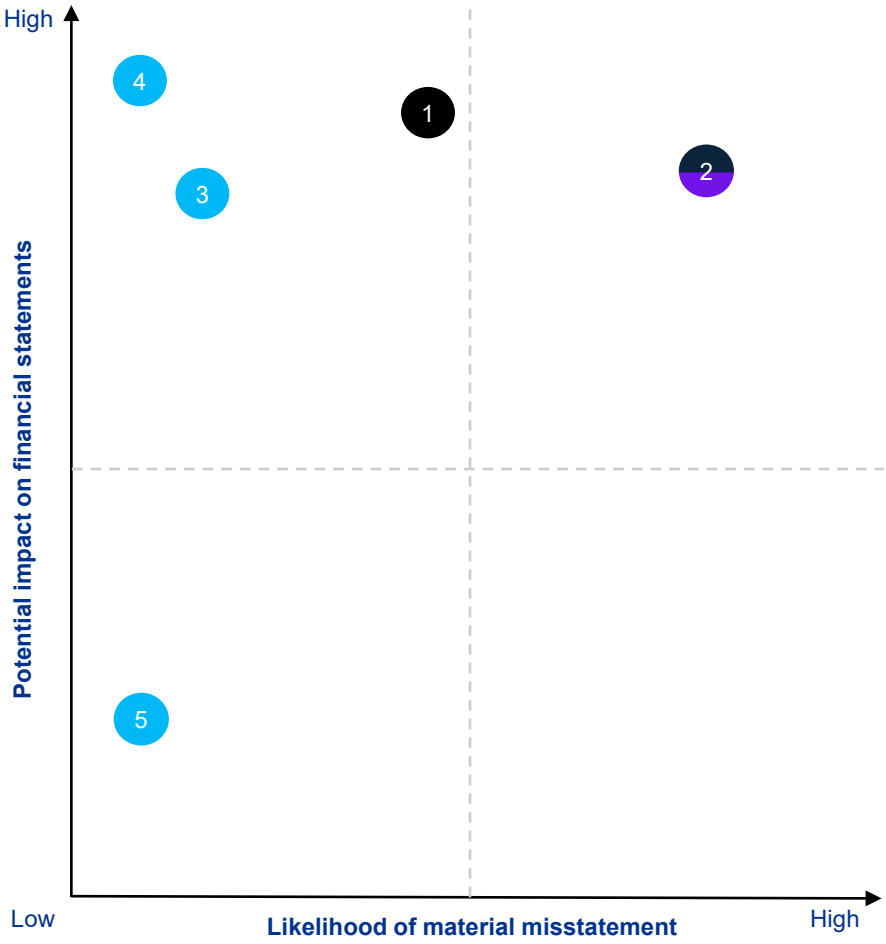
Since the communication of our audit strategy, we have identified a fraud risk associated with the valuation of certain unlisted investments excluding fund investments held at NAV. As these assets are unquoted and illiquid, they are valued using valuation techniques that are subjective and involve the exercise of judgement. In addition, the valuation of these investments and the performance of the portfolio is expected to be important to the Bank's ability to execute on its third-party fund management strategy in the coming months and is a factor considered in remuneration arrangements. Due to this fact, the highly judgemental nature of the valuations and the reliance on unobservable inputs, we consider there to be an increased risk of fraud associated with them.

We have not identified any other changes to our risk map from the communication as part of our audit strategy.

Significant risks	
1.	Management override of controls
2.	Valuation of certain unlisted investments excluding fund investments held at NAV (Key audit matter)

Other audit risks	
3.	Valuation of fund investments held at NAV
4.	Going concern
5.	Cash

Key:
- # Significant financial statement audit risks
- # Other audit risk
- # Key audit matter and significant financial statement audit risk
- # Key audit matter



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Significant audit risks and our audit approach

1 Management override of controls (a)

Fraud risk related to unpredictable way management override of controls may occur

Significant audit risk

- Professional standards require us to communicate the fraud risk from management override of controls as significant.
- Management of any company is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
- Other than potential for management bias on investment estimates, we did not initially identify any specific additional risks of management override relating to this audit.

Note: (a) Significant risk that professional standards require us to assess in all cases.

Our response

- Our audit methodology incorporates the risk of management override as a default significant risk.
- In line with our methodology, we evaluated the design and implementation of controls over journal entries, post closing adjustments and the unlisted valuation process.
- We have identified journal entries and other adjustments with characteristics that indicate that they may be inappropriate or unauthorised and therefore may have been used to manipulate the financial statements using AI Transaction Scoring and performed procedures to test the appropriateness of these entries and adjustments. We have performed additional manual screening to capture engagement-specific characteristics beyond the scope of AI Transaction Scoring and performed procedures to test the appropriateness of journal entries identified.
- We have assessed the appropriateness of changes to methods and underlying assumptions used to prepare accounting estimates.

Our findings

- We identified journal entries which exhibit high-risk characteristics using AI Transaction Scoring Solution, high-risk criteria through manual screening and material post close journals for testing. We have not identified any instances of management override of controls.
- We have assessed accounting estimates for bias by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias. We have not identified any indicators of management bias.
- We have assessed the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates with no issues noted.
- We did not identify any significant transactions that are outside of the Group's normal course of business or are otherwise unusual as applicable.

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Significant audit risks (cont.)

2 Valuation of certain unlisted investments excluding fund investments held at NAV (key audit matter)

Risk that the carrying value of unlisted investments excluding fund investments held at NAV is materially misstated

Significant audit risk of error and fraud

As at 31 March 2026, 68% (2025: 78%) of the Group's total assets (by value) are debt and/or equity investments where no quoted market price is available, excluding fund investments held at net asset value (NAV) which are considered subject to lower estimation uncertainty.

These assets are typically early-stage investments which may not be profitable nor revenue generating at the balance sheet date.

Unlisted investments are measured at fair value, which is established in accordance with the International Private Equity and Venture Capital Valuation Guidelines, by using measurements of value such as:

- price of recent orderly funding rounds. This requires the Group to make significant estimates for discounts or premiums based on performance against business plans or other pre-defined milestones; or
- discounted cash flow analyses. Significant estimates are made, notably with respect to forecast cash flows, discount rate, and credit rating; or
- earnings multiples analyses. This requires significant judgement in the identification of comparable companies and estimates for future maintainable earnings and any adjustments to the multiple applied for non-comparability.

Our response

We performed the detailed tests below rather than seeking to rely on any of the Group's controls, because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed substantive procedures prescribed:

- Portfolio understanding: We obtained an understanding of the investments within the portfolio through inquiry (including of the valuation committee) and through our own independent research.
- Methodology choice: In the context of observed industry best practice and the provisions of the International Private Equity and Venture Capital Valuation Guidelines, we challenged the appropriateness of the valuation methods selected.
- Our valuation experience: We challenged the directors on key judgements affecting investee company valuations as follows:
- For investments held at the price of recent investment, we obtained an understanding of the circumstances surrounding the transaction and assessed whether the transaction price represented fair value at the transaction date. We challenged whether this remains an appropriate basis on which to value the investment as at the year end, including by assessing the investee company's performance against relevant milestones since the transaction. These factors drive the discount/premium applied to the transaction value.
- For assets measured on a discounted cash flow basis we challenged the reasonableness of forecast cash flows and engaged KPMG valuation and credit risk specialists to support in the assessment of discount rates and credit ratings as appropriate.

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Significant audit risks (cont.)

2 Valuation of certain unlisted investments excluding fund investments held at NAV (key audit matter) (cont.)

Risk that the carrying value of unlisted investments excluding fund investments held at NAV is materially misstated

Significant audit risk of error and fraud

The effect of these matters is that, as part of our risk assessment, we determined that certain of the unlisted investments are subject to significant estimation uncertainty in determining their valuation with a high degree of estimation uncertainty and a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.

The primary factors considered in assessing which unlisted investments were subject to significant risk included the quantum of the individual investment, cash runway and short-term funding requirements, time since funding round, performance of the investment and sensitivity to changes in enterprise value.

The financial statements note 20 discloses the sensitivity estimated by the Group in respect of all the unlisted investments held.

We additionally identify a fraud risk associated with the valuation of certain unlisted investments excluding fund investments held at NAV. As these assets are unquoted and illiquid, they are valued using valuation techniques that are subjective and involve the exercise of judgement. In addition, the valuation of these investments and the performance of the portfolio is expected to be important to the Bank's ability to execute on its third-party fund management strategy and is a factor considered in remuneration arrangement. Due to this fact, the highly judgemental nature of the valuations and the reliance on unobservable inputs, we consider there to be an increased risk of fraud associated with them.

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Our response

- For assets measured on an earnings multiple basis, we challenged the choice of benchmark and the basket of comparable companies included in the analyses. We assessed the assumptions around maintainability of revenue or earnings based on the forecasts for the investee companies using investee company management information or audited accounts where available, and evaluated any adjustments applied to the multiple for non-comparability.
- Our Corporate Finance expertise: We utilised the expertise of KPMG Corporate Finance specialists to assist the audit tea in assessing specific areas on certain assets, such as discounted cashflow input assumptions.
- Assessing transparency: We considered the appropriateness, in accordance with relevant accounting standards, of the disclosures in respect of unlisted investments excluding fund investments held at NAV and the effect of changing one or more inputs to reasonably possible alternative valuation assumptions.

Our findings

- We have considered the controls in place over the unlisted valuation process and substantively tested the year end valuations through a combination of independent verification and challenge over key judgements and assumptions. Please refer to page 12 for control deficiency identified.
- Based on our work and challenge of management we have concluded that the valuations of investments are acceptable. At an overall portfolio level we consider the valuations to be to neutral (2025: neutral).
- Refer to separate paper detailing our results over unlisted investments valuations for further detail on the conclusion of our testing.

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Other areas of audit risks

3 Valuation of fund investments held at NAV

Risk that the carrying value of funds investments held at NAV is materially misstated

Other audit risk

- The Group's portfolio of fund investments held at NAV makes up 26% (2025: 18%) of the total assets. These investments are measured at fair value, which is established in accordance with the International Private Equity and Venture Capital Valuation Guidelines by using measurements of value such as net assets.
- The valuation of fund investments held at NAV involves less estimation uncertainty than the rest of the unlisted portfolio and is therefore classified as an "other audit risk" rather than a "significant audit risk".

Our response

- Assessed the appropriateness of application of NAV as fair value of investments.
- Obtained capital statements directly from underlying fund and recalculated ownership % by taking funds committed by the Company compared to total funds committed to the fund.
- Recalculated the entity's share of NAV by multiplying the holding owned by the entity by the net asset value per unit or the total fund net asset value (adjusted as appropriate) as of the measurement date.
- Evaluated whether the nature and scope of management's assessment of the appropriateness of using NAV as representative of fair value was sufficient to identify all relevant adjustments to the NAV.
- Agreed the reported valuation per management to the latest NAV statements and investigated any differences.
- Where unaudited financial information (NAV statement) has been used as the basis of the NAV fair value, performed a 'historic lookback test' by comparing the NAV per the latest investee audited financial statements to the NAV statement as at the investee balance sheet date.
- Established an understanding of any difference, determined whether this that the NAV statement at the audited entity measurement date may be unreliable or require adjustment and perform additional procedures over the completeness of any adjustments to the NAV price (method) or any actual adjustment (assumption) as necessary.

Our findings

- Our audit work over investments held at NAV is complete. We have identified an error relating to recognition of a return of drawn down funds, which should have been recorded as a receivable in the parent company. This had not been identified by management's review of the investee's financial information. Refer to page 13 for misstatement raised and page 12 for associated control deficiency.
- Refer to separate paper detailing our results over unlisted investments valuations for further detail on the conclusion of our testing

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Other areas of audit risks (cont.)

4 Going Concern

Ability of the business to continue as a going concern

Other audit risk

- Management's assessment of the entity's ability to continue as a going concern involves consideration of all factors affecting the group.
- There is a risk that management's assessment of the Group's ability to continue as a going concern does not appropriately consider the impact of all external factors, including plausible but severe downside scenarios on the income and carrying value of assets.
- The risk that disclosures in the financial statements and the annual report are not adequate with regard to the effect of key risks to the financial position, performance, business model and strategy.
- The Group continues to rely on support from its shareholder, the Scottish Ministers, to fund additions to the investment portfolio and, if required, resource funding.

Our response

- We have evaluated how management's risk assessment process identified business risks relating to events and conditions that may cast significant doubt on the ability to continue as a going concern.
- We have evaluated whether management's assessment had failed to identify events or conditions that may cast significant doubt on going concern and whether the method used by management is appropriate.
- We inspected the signed letter of support provided by the shareholder. We assessed the terms under which ongoing support is offered under the letter of support, the ability and intent of the shareholder to continue supporting the Group, and the impact of this on the Group's ability to continue as a going concern.
- We have evaluated whether there is adequate support for the assumptions underlying management's assessment, particularly with reference to the ongoing financial support provided by the shareholder.
- We have evaluated whether sufficient and appropriate audit evidence had been obtained to conclude whether a material uncertainty exists and the appropriateness of management's use (or otherwise) of the going concern basis of accounting.

Our findings

Our procedures over the going concern basis of preparation and related disclosures are complete with no material issues noted.

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Other areas of audit risks (cont.)

5 Cash

Cash balances may be materially misstated

Other audit risk

- Cash balances, as reported by management, may not be complete or accurate, or the company may not have the rights to ownership of the bank accounts.

Our response

- We agreed year end cash balances recorded in the financial statements to third party confirmations received independently.
- We substantively tested the year-end balance reconciliation.

Our findings

- We concluded that cash balances are free from material misstatement.

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Other significant matters

Control deficiencies

We obtain an understanding of internal control to design appropriate audit procedures, but not to express an opinion on the effectiveness of the Group's internal control.

Key:

- These are significant control deficiencies which increase the likelihood and potential magnitude of a material misstatement in the financial statements. We have identified one significant control deficiencies in the current year.
- These are matters of sufficient importance to note such as weaknesses which were subsequently corrected and matters that could be significant in the future if left unaddressed. We have identified three of such deficiencies in the current year.
- These are less significant weaknesses but which we considered to be of sufficient importance to merit management's attention. We have identified two such deficiencies in the current year.

Management review over tax computations

This is a recurring deficiency and was reported during the prior year audit. The preparation of annual tax computations is outsourced. Management review the calculations, challenging the inputs and assumptions within, and prepare related disclosures for inclusion in the financial statements with support from the engaged tax specialist. Given the level of ongoing audit challenge over the tax computations and disclosures, with two misstatements identified in current year (and misstatements in the prior year), we have determined that management's review of the tax computations prepared externally is not sufficiently detailed and perhaps indicates there is a lack of internal specific tax specialist knowledge to prevent material misstatements.This has no impact on our audit approach but does impact the amount of time it takes to audit tax balances, including the input required from KPMG tax specialists. This is noted as a significant deficiency based on recurring nature and identification of material errors in disclosure.

Controls over unlisted investments valuation

We note that the Valuation Committee review the valuation of unlisted investments and provide challenge on the assumptions and judgements which underpin the valuation of those investments. As the unlisted investments represent a key audit matter and significant risk, we are required to assess the design and implementation of this control, which as it is a Committee level review control is considered to be ineffective, for audit reliance purposes. We reach this conclusion as the control does not operate to a level of precision that could prevent material misstatement as set out in the auditing standards, given the judgement involved in the valuation of unlisted investments. This has had no impact on our audit approach – we planned to take a substantive approach because the nature of the balance is such that even with an effective review control, we would still be required to perform substantive testing. Refer to separate paper detailing our results over unlisted investments valuations for further detail on the conclusion of our testing.

Management review control – technical accounting matters (SISL hive-up)

Transactions posted to reflect technical accounting matters are reviewed within the Finance function. We did not identify an 'Other audit risk' in the parent company for the hive-up as the value of balances transferred was not material. However, an audit difference was identified relating to the transaction. Whilst not material to the parent company, we concluded that the accounting for the transaction was not reviewed with sufficient precision to detect a material misstatement. The accounting treatment should have been fully documented and formally reviewed prior to processing the related journal entries. This had no impact on our audit approach as we did not plan to rely on management's review control.

Management review control – review of the draft annual report and accounts

We have identified the review of the draft annual report and accounts as a control weakness. As part of the prior year audit debrief session, we highlighted the timeline for preparation of the full draft annual report and accounts was later after the year-end than we would normally see for a set of plc annual accounts. We also noted a high volume of drafting comments were raised when a full draft was available. We have observed this again in the current period and consider that some sections – in particular the 'Other information' contained alongside the financial statements – were subject to a significant volume of comments and debate to close off on our review. This includes comments surrounding the fair, balanced and understandable nature of the annual report when taken as a whole.

Review and approval of NED time submissions

We identified that there was a discrepancy between the time submission made by a non-executive director and remuneration paid. Upon their review, management identified that more time had been worked than recorded and therefore the maximum allowable payment under the remuneration policy was made. The additional payment was approved by the Chairman and Group General Counsel, but we would expect approval by the Remuneration Committee in the circumstances and the time submission to be corrected accordingly.

Review of financial information received from fund administrators

We noted during the audit that the financial statements as at 31 March '26 of one of the NAV-based fund investments included a creditor payable to SNIB relating to a reduction in SNIB's drawn down balance due to equalisation in a prior period and in the current period. The reduction should have been included as a debtor in SNIB's parent and group accounts but was not accounted for by SNIB when the reduction occurred. We noted that a more detailed review of the fund's NAV statement or audited financial statements by management would have highlighted the error.

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Significant audit misstatements – current position

A summary of the corrected and uncorrected audit misstatements identified to-date is detailed below.

The misstatements identified, and their estimated financial impact on the profit before tax, are summarised in the table on the right. We have also highlighted disclosure misstatements identified.

In addition to the disclosure differences noted on this page, we note that there were various corrections to disclosures processed by management following our challenge of the draft annual report and accounts. A number of these were grammatical and other basic errors but we note we have also shared a number of comments which have been updated for to allow us to conclude the accounts are fair, balanced and understandable which link to the control deficiency noted on the previous page. Further, we note that the Fair Value disclosure of unobservable inputs to the valuations and the sensitivity of the valuations to the inputs would benefit from additional granularity going forward as the portfolio grows and the disclosure should include all prior year comparatives.

We note that a separate paper detailing our results over unlisted investments valuations is provided for further detail on the conclusion of this testing, including one factual and one judgemental misstatement identified. These are uncorrected and would increase the parent company profit by £1.1m and £3.2m, respectively. The factual error also reflects a £5.7m understatement of opening retained earnings within the general fund.

In line with ISA (UK) 450 we request that you correct uncorrected misstatements.

- If the uncorrected factual audit misstatements were posted, they would increase profit in the parent company by £4.4m. We note that certain uncorrected misstatements are judgemental differences and therefore not included in this figure.

Audit misstatements –	Type	£m	Comment
Uncorrected misstatements			
Parent company investment in subsidiary (SISL)	Factual	3.3	A capital contribution by the parent company to SISL during the year should have been recorded as an investment in subsidiary in the parent company balance sheet.
Parent company investment in subsidiary (SIL)	Factual	5.0	An error raised in the prior year for a capital contribution made to SIL during FY25 was not corrected during the year so the closing investment in subsidiary balance in the parent remains understated. The error is raised again for the current year.
Deferred tax asset	Judgemental	8.5	A deferred tax asset of 8.5m has been recorded by management based on forecast budgets of utilisation. Considering performance to date and budget vs actual results, the audit team have raised a judgemental difference relating to the recoverability of this asset.

Disclosure

Matter	IAS/IFRS ref	Comment
Parent company cash flow	IAS 7	Misstatement due to incorrect classification of a capital contribution from the parent to subsidiary within operating items, when it should be an investing cash flow. This has an impact of £3.3m.
Group statement of comprehensive income	IFRS 9	A gain on conversion of a financial asset was classified as an unrealised gain on investment. We concluded the gain should be classified as realised as the conversion triggered de-recognition of the original asset pre-conversion. This disclosure misstatement has been corrected by management with a reclassification of £1.1m gain from unrealised to realised.
Tax disclosures	IAS 12	Misstatements for the Group and Parent due to incorrect and incomplete tax disclosures. These matters had a material impact on disclosures and have been corrected by management.

Types of misstatement

Factual: Misstatements about which there is no doubt

Projected: Our best estimate of misstatements in the audited populations

Judgemental: Differences arising from judgements of management that we consider unreasonable or inappropriate

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Wider scope reporting

This report has been prepared in accordance with the responsibilities set out within the Audit Scotland's Code of Audit Practice which required us to report on the company's arrangements in the context of four dimensions:

- financial sustainability;
- financial management;
- vision, leadership and governance; and
- use of resources to improve outcomes.

Our findings are summarised on pages 14-17. In our risk assessment associated with this work, we have taken into account both the nature and stage of the Bank's operations and its somewhat unique role as a public body as compared to other entities. The Bank remains in an early stage of its operations with certain processes and controls still evolving. This context is important and we have assessed these factors in light of that and the Bank's objective as a Development Bank; to invest in businesses and projects that support delivery of the Bank's missions and provide a commercial, risk-adjusted financial return.

Financial sustainability

Background
Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.
Establishing and maintaining income streams and the investments pipeline is crucial for achieving sustainability and will continue to be assessed in future periods.

Work performed:
- Review of relevant policies;
- Inquiries with the Executive team;
- Review of going concern assessment prepared by the directors (ref to page 10) and their assessment of long-term viability;
- Review of current funding arrangements with the Scottish Government

Findings:
- The Bank remains reliant on the Scottish Government as we note in our going concern reporting.
- It is intended that the Bank will become financially self-sustaining in the medium term. The Bank has achieved this from an income and expenses perspective (excluding capital investment), however due to the non-cash nature of certain capitalised interest income, it is reliant on funding for cash-flow and this will continue in the short term.

The Bank continues to grow the investment portfolio in order to move towards sustainability, and during the prior period obtained FCA authorisation for Scottish Investments Limited (a subsidiary) in line with longer term business plans for the Bank to attract external funds to manage.

Recommendations
- The Bank should continue to consider the mix of portfolio assets to ensure sufficient cash income to achieve operational self-sustainability on a cash basis.
- The Bank should continue exploring opportunities to build out the external management capabilities of Scottish Investments Limited as a potential additional income stream to aid in achieving financial sustainability.
- Where looking to longer-term sustainability and generating capital returns for reinvestment, the Bank should consider and plan for how this is best achieved through the investment strategy.

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Wider scope reporting - financial management

Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

Work performed:

- Review of relevant policies;
- Inquiries with the executive team;
- Review of internal audit reports;
- Walkthroughs of the finance processes relevant to reporting; and
- Audit work over annual reporting.

Findings:

- SNIB adopts a 'Financial Management policy' designed to ensure that the Bank operates with robust financial systems, processes, procedures and controls; and that the Bank complies with all relevant requirements for its financial records and reporting and a 'Financial Reporting policy'.

- There are variances to budgeted forecasts and cashflows, largely due to the nature of the Bank's operations and factors that are inherently difficult to forecast, such as fair value gains or losses on investments or planned conversions of debt investments. IFRS loss before tax for the period was 77% higher than budgeted per the draft financial statements, despite investment income being 38% above budget.

- Specialists may be used to support valuation processes at time of initial investment. In previous years we have asked management to consider involving specialists for the year-end valuation of certain investments and we have seen this has been actioned for the current year with external specialists being involved in two asset valuations.

- Specialists are also engaged to advise on certain technical areas that impact financial reporting, such as the transfer of assets and liabilities from SISL to the parent company, or the Group's tax computations.

-The key financial management processes in place include:

- financial planning, budgeting and forecasting;
- general ledger management and internal controls;
- treasury and cash management; and

reporting:

- annual reporting;
- monthly and quarterly reporting;
- financial reporting to Scottish Government.

Recommendations

- We recommend that the Bank continues to assess the need for any specialist valuation support when preparing the year end valuations as the portfolio will continue to grow and valuations become more complex.

- We also recommend considering engagement of a specialist for accounting advisory services for transactions outside the course of business as required. This is linked to the control observation discussed on page 12.

- The Bank should review the budgeting process to understand the key blockers affecting accurate forecasting and action accordingly to narrow the gap between budgeted and actual results moving forward.

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Wider scope reporting – vision, leadership and governance

Vision, Leadership and Governance is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.

Work performed:

- Reviewing the organisational structure, reporting lines and level of scrutiny within SNIB.
- Review of board and committee minutes.
- Review of relevant policies.
- Review of internal audit reports.
- Inquiries with the executive team.
- Attendance at certain Audit Committee and Investment Oversight and Valuations Committee (IOVC) meetings
- Reading the annual governance statement.

Findings

The IOVC is in place to review and challenge unlisted investment valuations reported and to approve new investments. A risk review on proposed valuations is also performed by the investment risk team.

We understand a review of the Bank's long-term investment strategy is being undertaken as the Bank and its investment portfolio mature.

A fair balanced and understandable review of the financial statements is completed by the internal auditor and results reported to the Audit Committee.

Section 172 statement

SNIB has also considered its duties under Section 172 of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 as well as the 'Guidance on the Strategic Report' issued by the Financial Reporting Council and the UK Corporate Governance Code 2018.

Risk assessment

The bank has a risk management framework which summarises key processes and methodologies applied to identify, evaluate, mitigate and monitor and report risks.

The Bank also has procedures in place around due diligence of potential investment opportunity and ongoing monitoring and challenge of investment performance and valuation by the relevant committee.

The audit committee and board will review the annual corporate governance statement as part of the annual accounts review.

Recommendations

- We recommend that the IOVC reviews its processes to ensure each new investment or drawdown is met with sufficiently detailed challenge. This also applies to the risk assessment and challenge of the year-end investment valuations.

- Any changes to the investment strategy should be formally documented and approved if required after reassessment of the existing strategy.

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Wider scope reporting - Use of resources to improve outcomes

Audited bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities. This includes demonstrating economy, efficiency, and effectiveness through the use of financial and other resources and reporting performance against outcomes.

Work performed:
- Review of relevant policies.
- Inquiries with the executive team.
- Review of internal audit reports.
- Walkthroughs of the relevant processes like expenses and investments (including segregation of duties).
- Audit risk assessment over administrative expenses.

Findings
SNIB are subject to Public Procurement law including; Procurement Reform (Scotland) Act 2014 and Procurement Regulations (Scotland) 2015 and 2016 as well as Requirements of the Scottish Public Finance Manual.
SNIB adopts a 'Procurement and Outsourcing Policy' which summarises relevant processes design to ensure compliance with the value for money.

We draw attention to the fact that the nature of the Bank's operations are different to most public sector entities, and while we assess the above as part of expenditure testing, this is less material to the Bank than it would be to other public sector entities subject to the wider scope reporting. While the Bank is not subject to Best Value requirements in the same way as, for example, local government organisations, in our view the articulated design of the Bank's governance process around investment opportunities and monitoring is appropriate to address this consideration in the context of the Bank's activities.
The controls management have in place under vision, leadership and governance, particularly around investment governance, are pertinent here.

The key controls and processes outlined in managements policies and procedures are:
- **Separation of duties:** In accordance with the Scottish Public Finance Manual, the Bank will ensure separation of duties:
  - in procurement and the award of contracts: Between financial / budgetary authority and procurement authority; and
  - in the purchasing cycle: Between staff who place orders, those who receive goods or services, and those who authorise payment.

-**Supplier due diligence:** Undertaking an assessment of the risks associated with a requirement through collaboration with IT/Legal and Risk teams as appropriate to identify risks associated with contracts and determine what mitigation might be required for each. with contracts and determine what mitigation might be required for each. Applying a robust process for supplier selection that evaluates the expertise and technical ability of the supplier to deliver the required services/goods to the Bank.
- **Effective competition and value for money:** Engaging procurement support early, avoiding distressed purchases, and ensuring a strong link between Procurement and Finance on the management of supplier costs for budgeting purposes.
- **Appropriate contractual arrangements:** Including agreements review by Governance, Legal, Risk and Compliance

- There have been significant losses within the investment portfolio, which is influenced by the fact that the investments are early-stage investments and therefore have a high level of inherent risk attached, and the due diligence process can only guard against a certain amount of this risk. However, we did note during fieldwork that in some cases follow-on investments were made shortly before the investee company entered into administration and/or the holding was written down to nil. We noted £3.2m of follow-on investments made in the p7-12 where the investment was valued at £nil at period-end.

Recommendation
- The Bank should review its process for challenging and approving follow-on investments, particularly where the investee company is experiencing cash flow issues or other financial difficulties.

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Appendix

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Confirmation of independence

We confirm that, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and that the objectivity of the Partner and audit staff is not impaired.

To the Audit Committee members

Assessment of our objectivity and independence as auditor of Scottish National Investment Bank Plc and its subsidiaries ("the Group")

Professional ethical standards require us to provide to you at the conclusion stage of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard.

As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values
- Communications
- Internal accountability
- Risk management
- Independent reviews

The conclusion of the audit engagement partner as to our compliance with the FRC Ethical Standard in relation to this audit engagement is subject to review by an engagement quality control reviewer, who is a partner not otherwise involved in your affairs.

We are satisfied that our general procedures support our independence and objectivity.

Independence and objectivity considerations relating to the provision of non-audit services

Summary of non-audit services

We have reviewed all non-audit services provided to the Company and its connected parties in the financial period to date and identified those that may have a bearing on our independence. Facts and matters related to the provision of non-audit services that may bear upon our independence, are set out in the table on the following page.

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Confirmation of independence

Analysis of Non-audit services for the year ended 31 March 2026:

Disclosure	Description of scope of services	Principal threats to independence	Safeguards applied	Basis of fee	Value of services delivered in the period ended 31 March 2026 £'000s	Value of services committed but not yet delivered £'000s
CASS audit for the Group's regulated subsidiary, Scottish Investments Limited (SIL), for the period ended 31 March 2026.	Reporting on CASS assurance engagements as required by the regulator.	Self-review & Management -In relation to reporting on regulatory returns, we consider that as the work involved is closely related to the work performed in the audit, the threats to independence are clearly insignificant. The self-review threat that could arise in relation to these services (if the subject matter is subsequently significant for our audit) is also limited. A management function threat could also exist.	Given the threats to independence are clearly insignificant, safeguards need not specifically be applied. KPMG does not design or implement internal controls or make any accounting judgements within the financial statements, therefore we do not audit our own work. Management retain responsibility for any decisions made in relation to these areas and we do not take part in any implementation activity. Self-review and management function related threats are therefore mitigated.	Fixed Fee	21	0

Fee ratio

The ratio of non-audit fees to audit fees for the year was 0.05:1.

Confirmation of audit independence

We confirm that as of the date of this letter, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the partner and audit staff is not impaired.

This report is intended solely for the information of the Audit Committee of the Group and should not be used for any other purposes.

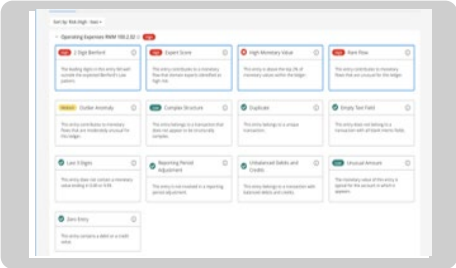
We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Yours faithfully

KPMG LLP

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Technology in audit: AI



AI transaction scoring

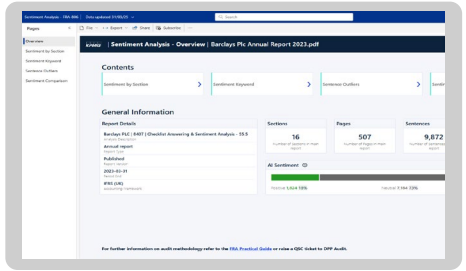
AI Transaction Scoring uses advanced AI and statistical techniques to power routines that analyse 100% of the general ledger data to obtain identify unusual journal entries to be substantively tested.

Benefits:

•Advanced AI and Statistical Techniques power routines that analyse 100% of the Data

•Robust insight, facilitating more meaningful discussions - identify patterns and outliers that wouldn't be captured by traditional sampling methods, providing deeper insights.

•Using machine learning to address risk of management override of controls in journals by analysing for common fraudulent characteristics in a single combined evaluation.

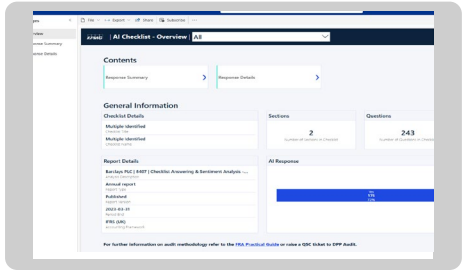


Financial Report Analyser – Sentiment Analysis

Sentiment Analysis uses an AI algorithm to provide a nuanced understanding of sentiment within financial reports, assisting in evaluating the report's tone against our expectations from audit procedures. The algorithm extracts individual sentences and scores each sentence in the financial statements for sentiment based on predefined inputs (natural language processing) as positive, neutral or negative.

Benefits:

- Assessed alongside existing audit procedures, it enhances the analysis of the annual report's sentiment with clear, easy-to-view visuals, assisting with the effective review of financial statements for fair, balanced and comprehensive.
- Provides useful insights - allows comparison against competitors' annual reports and year-on-year annual reports to understand the differences in sentiment.



Financial Report Analyser- Checklist AI

Checklist AI automates responses to disclosure checklists under UK GAAP – providing AI-generated answers, citations to the report, and rationale for each checklist response.

Benefits

- Works in record time – 3 seconds per question. The technology is an enabler rather than a replacement – facilitates a much quicker review.
- Allows teams to focus on more judgemental areas, as the tool helps to find straightforward disclosures more quickly.
- Gives a clearly presented explanation and citations back to the annual report to justify its answer, enabling an effective review.

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AI Transaction Scoring: FY26 Audit Approach



What did we do?

Our audit approach in FY26 evolved beyond D&A to include **AI and advanced statistical techniques in our audit** to support our **audit of the significant risk relating to management override of controls**.

High-risk journals

- Enables an automated analysis of the entire general ledger identifying those journal entries that are entries posted outside the normal course of your business.
- An ensemble of **7 algorithms** to identify journals or adjustments that **collectively indicate an increased risk of management override of controls** in the context of your entity's data (labelled as High). **These journals are tested to underlying supporting documentation.**

P1-P6:

Segment	Total activity	Total entries	% of £ value in High risk	% of £ value in Low risk	High risk entries	£ value in High risk	Low risk entries	£ value in Low risk
Overall scores								
HRJE Ensemble ⓘ	£632,483,918.44	2,806	2.7%	97.3%	3	£17,258,492.14	2,803	£615,225,426.30

P7-P12:

Segment	Total activity	Total entries	% of £ value in High risk	% of £ value in Med. risk	% of £ value in Low risk	High risk entries	£ value in High risk
Overall scores							
HRJE Ensemble ⓘ	£1,945,091,454.00	3,348	19.2%	-	80.8%	7	£373,776,532.22

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AI Transaction Scoring: Results Overview – High-risk journals

Using our KPMG - AI Transaction Scoring we have analysed 100% of the journal transactions.

The work enabled us to identify the journals which fall outside of the expected patterns, therefore requiring further investigation.

Key highlights include:

99.8% of journal transactions during the period were categorised as low risk

0.2% were classified as high risk and our examination did not identify unauthorised, unsupported or inappropriate entries.

The audit team also performed additional manual screening over other high-risk criteria to identify journals for further testing. These procedures did not identify any unauthorized, unsupported or inappropriate entries.

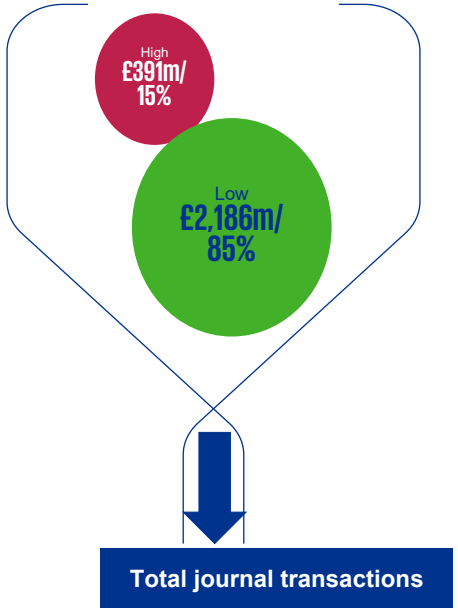
To note the above highlights are based on number of transactions and graphics on the right is based on gross value of transactions.

Population Analysed

- KPMG applied AI Transaction Scoring solution over 100% of the journal transactions, for the year ended 31 March 2026.

Results

- 0.2% of the journal transactions were identified as high-risk. The robust evaluation from the algorithms enabled us to identify journal transactions considered as high-risk, which we have tested substantively and vouched to supporting documents. We have also performed work on completeness and data integrity.
- In total, 10 entries were flagged as high risk, from a total of 6,154 entries.
- The journals selected as high risk contained entries relating to the transfer of assets and liabilities from SISL to SNIB plc, journals related to issuance of share capital and fair value adjustments.
- Additional risk assessment procedures were performed, including: user poster analysis, keyword analysis and entries with no description.
- Relevant support and understanding was obtained to substantiate all transactions flagged as high risk
- No misstatements or instances of fraud were identified through procedures performed.



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FRC's areas of focus

The FRC released their Annual Review of Corporate Reporting 2024/25 (the 'Review') in September 2025 which also incorporated the outcomes of two limited scope thematics (the 'thematics').

The Review and thematics identify where the FRC believes companies can improve their reporting. These slides give a high-level summary of the key topics covered. We encourage management and those charged with governance to read further on those areas which are significant to their entity.



Key expectations for 2025/26 annual reports

Overview

The Review identifies that the quality of reporting across FTSE 350 companies has been maintained however, there remains a quality gap between FTSE 350 and other companies.. The FRC continue to focus on proportionality and materiality in their work and fewer substantive queries and restatements have been identified in the current year.

For the 2025/26 reporting season, the reporting areas the FRC believe companies should focus on remain consistent with recent years, given stable reporting requirements and recurring themes.

The FRC's top three focus areas remain consistent with the previous period including 'Impairment of assets', 'Cash Flow Statements' and 'Financial Instruments'. The FRC also note that the lack of internal consistency within the annual report and accounts continues to be a key driver of queries.

Pre-issuance checks and restatements

The FRC expects companies to have in place a sufficiently robust self-review process to identify common technical compliance issues. Fewer queries would also be raised if there were clear, company-specific accounting policies for these key accounting matters.

The reviewer should take a step back and consider whether the annual report tells a consistent and coherent story throughout the narrative reporting and financial statements.

Risks and uncertainties

Geopolitical and economic risks remain high and, in this context, the FRC continue to push for clear and consistent disclosures about judgements, risks and uncertainties. Disclosures should be sufficient to allow users to understand the position taken in the financial statements, and how this position has been impacted by the wider risks and uncertainties discussed elsewhere in the annual report.

Narrative reporting

The FRC reminds preparers to consider the overarching requirements of the UK financial reporting framework in determining the information to be presented, particularly in relation to narrative reporting. Companies should focus on the requirement for a true and fair view, along with a fair, balanced, and comprehensive review of the company's development, position, performance, and future prospects.

The FRC does not expect companies to provide information that is not relevant and material to users, however, they should ensure that they carefully comply with all applicable requirements, including climate-related reporting requirements.

Companies should also consider including disclosures beyond the specific requirements of the accounting standards where this is necessary to enable users to understand the impact of particular transactions or other events and conditions on the entities financial position, performance and cash flows.

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FRC's areas of focus (cont.)

Impairment of assets

Impairment remains a key topic for the FRC. There have been no restatements in the current year, but many disclosures have been identified as requiring improvement.

Disclosures should provide adequate information about key inputs and assumptions, and these should be consistent with events, operations and risks noted elsewhere in the annual report and accounts (the 'ARA'). These should be supported by a reasonably possible sensitivity analysis as required.

Forecasts should reflect the asset in its current condition when using a value in use approach and forecasts should not extend beyond five years without explanation.

Preparers should also ensure that goodwill is allocated to a monitored CGU or group of CGUs that is no larger than an operating segment.

Cash flow statements

Cash flow statements remain the most common cause of prior year restatements.

Companies must carefully consider the classification of cash flows and whether cash and cash equivalents meet the definitions and criteria in the standard. The FRC encourage a clear disclosure of the rationale for the treatment of cash flows for key transactions.

Cash flow netting is a frequent cause of restatements, and this was highlighted in the previous 'Offsetting in the financial statements' thematic. Further, materially dissimilar classes of cash flows (e.g. purchases of tangible vs. intangible assets) should be presented separately.

Preparers should ensure the descriptions and amounts of cash flows are consistent with those reported elsewhere and that non-cash transactions are excluded but reported elsewhere if material.

Financial instruments

The number of queries on this topic remains high, with inappropriate application of offsetting requirements resulting in all identified restatements.

Companies are reminded that cash and overdraft balances should only be offset when they meet the qualifying criteria, including the intention to settle net or realise assets and liabilities simultaneously.

Companies should ensure sufficient explanation is provided of material financial instruments, including company-specific accounting policies.

Disclosures on risks should show the nature and extent of material risks, including credit risk, arising from financial instruments and the related risk management.

Expected credit loss provisions should explain the significant assumptions applied, including concentrations of risk where material.

Presentation

Companies should provide clear, company-specific material accounting policy information so users can understand unusual or complex transactions. Information on these transactions should be consistent with information elsewhere in the ARA.

Common restatement areas such as the classification of receivables as current or non-current, or the presentation of material financial asset impairment losses on the face of the income statement, should be identified by a thorough self-review.

Revenue

Questions raised in this area focussed on the clarity of the accounting policy and significant judgement disclosures.

For each material revenue stream, the accounting policy should cover the timing of revenue recognition, the basis for recognising revenue over time and the methodology. If the application of the accounting standards required significant judgement, this should also be disclosed.

Strategic report and Companies Act

The Strategic report must provide an unbiased discussion of all aspects of a company's development, position, performance and future prospects. In the case of a quoted company there should also be a clear description of it's strategy and business model.

Companies should ensure they comply with all the statutory requirements for making distributions.

Judgements and estimates

Disclosures over judgements and estimates are particularly important during periods of economic and geopolitical uncertainty. Disclosures should include sufficient, appropriate detail and be written in simple language. Sensitivities or ranges of possible outcomes should be provided to allow users to understand these judgement and estimates.

Areas of estimation uncertainty with a significant risk of a material adjustment within one year should be distinguished from other estimates.

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FRC's areas of focus (cont.)

Income taxes

Evidence supporting the recognition of deferred tax assets should be disclosed in sufficient detail and be consistent with information reported elsewhere in the ARA.

Where applicable, the effect of Pillar Two income taxes should be disclosed.

Consolidated financial statements

Disclosures of the factors affecting control judgements should be consistent with other disclosures in the ARA. The disclosure must meet the requirements of IFRS 10.

Climate

Compliance with Taskforce for Climate-related Financial Disclosures (TCFD) has improved. The FRC reviewed compliance with Companies Act 2006 Climate-related Financial Disclosures (UK-CFD) for the first time this period. As a result, companies are reminded that UK-CFD disclosures are mandatory and cannot be 'explained' or included in another document.

Disclosures should focus only on material climate-related information and should be concise and company specific. The impact of material climate factors should also be addressed within the financial statements.

Thematic reviews

The FRC has issued five thematic reviews this year. 'Climate-related Financial Disclosures by AIM and Large Private Companies' was issued in January 2025 and is considered further on slide [X]. The key findings of the other thematics are outlined below. The FRC expect to issue a further thematic on 'Reporting by the UK's smaller listed companies' before the end of 2025.

Supplier finance arrangement disclosures

The key recommendations from this limited-scope review are:

- Provide high quality disclosures on the use of supply-chain financing (SCF) proportionate to the risks faced.
- Explain how SCF impacts liabilities and cash flows disclosing any judgements if relevant.
- Describe how SCF impacts liquidity risk and how liquidity risk is managed.

Review of disclosures of a pension accounting surplus

Pension surplus disclosures may be of heightened interest if proposed changes to employer's access to surpluses go ahead.

This review identified divergent practice in whether to recognise an asset when pension scheme trustees have the right to enhance benefits or wind up the scheme without the company's consent. Companies should:

- Clearly describe the basis on which the surplus is recognised (or restricted) including the impact of any trustees power.
- Consider whether disclosures around the technical funding position would be helpful to users' understanding of the amounts recognised in the financial statements and future contributions.
- Describe the nature and scale of bulk annuity policies or insurance transactions and the accounting treatment applied.

Share-based payments

This thematic focussed on listed companies with significant share-based payment (SBP) arrangements. Companies are encouraged to:

- Clearly explain the valuation technique used and assumptions made, in determining the fair value of instruments granted.
- Disclose the accounting policy and judgements regarding the choice of settlement, including the implications of any cash-settlement.
- Provide material disclosures which are clear and concise, cross-referencing and aggregating to avoid duplication.
- Assess if excess tax deductions have been recognised directly in equity.
- Consider the effect of group arrangements on individual companies and distributable reserves.

Investment trusts, venture capital trusts and similar closed-ended entities

The accounting for these entities is typically straightforward, however this thematic asks these entities to:

- Explain valuation techniques and provide sufficient meaningful disclosures on unobservable inputs to level 3 measurements e.g. weighted averages when the range of inputs is wide.
- Disclose sensitivities for level 3 measurements, when required.
- Ensure that APMs are appropriately used, reconciled to the nearest GAAP measure or otherwise explained.
- Clearly explain the basis for significant judgements on whether the IFRS 10 investment entity definition is met.

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Required communications with the Audit Committee

Type	Response
Our draft management representation letter	We have one specific representation in addition to those areas normally covered by our standard representation letter for the year ended 31 March 2026 to cover the disclosure of taxable benefits in the Annual Report of Remuneration.
Adjusted audit misstatements	We identified two adjusted audit misstatements. See page 13 for more details.
Unadjusted audit misstatements	We have identified six uncorrected audit misstatements. In line with ISA 450 we request that you adjust for these items. However, they will have no effect on the opinion in the auditor's report, individually or in aggregate. See page 13 for more details.
Related parties	There were no significant matters that arose during the audit in connection with the entity's related parties.
Other matters warranting attention by the Audit Committee	There were no matters to report arising from the audit that, in our professional judgment, are significant to the oversight of the financial reporting process.
Control deficiencies	Refer to page 12 for details of control observations made.
Actual or suspected fraud, non-compliance with laws or regulations or illegal acts	No actual or suspected fraud involving group or component management, employees with significant roles in group-wide internal control, or where fraud results in a material misstatement in the financial statements identified during the audit.

Type	Response
Significant difficulties	No significant difficulties were encountered during the audit.
Modifications to auditor's report	None.
Disagreements with management or scope limitations	The engagement team had no disagreements with management and no scope limitations were imposed by management during the audit.
Other information	No material inconsistencies were identified related to other information in the annual report, Strategic and Directors' reports. The Strategic report is fair, balanced and comprehensive, and complies with the law.
Breaches of independence	No matters to report. The engagement team [and others in the firm, as appropriate, the firm and, when applicable, KPMG member firms] have complied with relevant ethical requirements regarding independence.
Accounting practices	Over the course of our audit, we have evaluated the appropriateness of the Group's accounting policies, accounting estimates and financial statement disclosures. In general, we believe these are appropriate.
Significant matters discussed or subject to correspond-dence with management	No significant matters arising from the audit were discussed, or subject to correspondence, with management.

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Disclosures on the UK Corporate Governance Code

We have communicated the information we believe to be relevant to the board and the audit committee, in the context of fulfilling their responsibilities under the Corporate Governance Code provisions.

The 2024 UK Corporate Governance Code (the 'Code') applies for the first time for accounting periods beginning on or after 1 January 2025.

Our auditor's report sets out our responsibilities in relation to reporting on certain provisions of the Code.

In considering the (Company's/Group's) Corporate Governance disclosures we have also provided our insights on how the changes to the Code have been reflected.

Corporate Governance Disclosures

We are satisfied that the directors' statement of compliance with the provisions of the UK Corporate Governance Code (to the extent that we are required under the ISAs to report on that statement) and the directors' statements regarding going concern and longer-term viability are consistent with knowledge obtained during our audit.

Outcomes-based reporting

The revisions to the Code brought in for years beginning on or after 1 January 2025 created a focus (through Principle C) on outcomes-based reporting.

[Comment briefly on whether the reporting of the audited entity met the requirements of outcomes-based reporting and any areas of improvement].

Audit Committees and the External Audit: Minimum Standard

The Code asks audit committees to adopt the Audit Committees and the External Audit: Minimum Standard (the 'Standard') and report on this within the annual report.

We are satisfied that disclosures relating to the Audit Committee and the external audit are sufficient to meet the minimum standard.

Diversity

Changes to Principle J and Provision 23 have been designed to ensure companies think and report more widely on diversity and inclusion practices.

We are satisfied that disclosures relating to diversity and inclusion are sufficient to meet the updated principles.

Remuneration

Provision 37 and 38 ask companies to include malus and clawback provisions within Director's remuneration and to report a description of these within the annual report.

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Provision 29: Declaration of effectiveness of material controls

Provision 29 of the 2024 UK Corporate Governance Code (the 'Code') will apply for the first time for accounting periods beginning on or after 1 January 2026.

Many companies are in the process of considering how to adopt, apply and report on Provision 29 of the Code.

The FRC has issued guidance on the Code and key considerations for Boards.

Requirements

The board should monitor the company's risk management and internal control framework and, at least annually, carry out a review of its effectiveness. The monitoring and review should cover all material controls, including financial, operational, reporting and compliance controls. The board should provide in the annual report:

- A description of how the board has monitored and reviewed the effectiveness of the framework;
- **A declaration of effectiveness of the material controls as at the balance sheet date**; and
- A description of any material controls which have not operated effectively as at the balance sheet date, the action taken, or proposed, to improve them and any action taken to address previously reported issues.

What is a material control?

Material controls will be company-specific. Paragraph 272 of the FRC's Corporate Governance Code Guidance states that that these could include, but are not limited to, controls over:

- risks that could threaten the company's business model, future performance, solvency or liquidity and reputation (i.e. principal risks).
- external reporting that is price sensitive or that could lead investors to make investment decisions, whether in the company or otherwise.
- fraud, including override of controls
- information and technology risks including cybersecurity, data protection and new technologies (e.g. artificial intelligence)

In the Q&A published by the FRC associated with the Code's January 2024 Webinar, it was stated that the number of material controls is expected to be relatively small and will not cover all controls.

Effectiveness

Per FRC guidance, boards should consider whether controls effectively mitigate risks, are fit for purpose and are functioning as they should.

In performing this review the board should exercise professional scepticism in reviewing and challenging the information provided to them.

Impact on our audit

The board's assessment of controls is much wider than internal controls relevant to the audit, therefore the auditor's consideration under ISA (UK) 315 (Revised July 2020) will be narrower in scope. The auditor is therefore not expected to assess whether all risks and controls have been addressed by the directors or that risks are satisfactorily addressed by internal controls.

We have specific obligations under ISA (UK) 720.22-4, to report on whether the company has properly disclosed under UKLR6.6.6(6) any departure from the seven Provisions, including Provision 29, of the Code specified for our review by the UK Listing Rules (UKLR 6.6.20).

We also have a responsibility (ISA (UK) 720.14-1 and 14-2) to perform such procedures as are necessary to form an opinion as to whether the Corporate Governance Statement (and any further statutory other information) is materially inconsistent with the financial statements, with our audit knowledge, or appears to be materially misstated.

Based on those procedures, we conclude whether the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems is materially consistent with our audit knowledge.

The FRC is consulting on proposals to require auditors to consider communicating highly material significant deficiencies in the audit report from 2027. This is not directly connected to Provision 29.

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Audit quality, evidence & the timeline of completion activities

Audit quality is at the core of everything we do – the quality and timeliness of information received from management and those charged with governance also affects audit quality.

The timeline on this page is for illustration only and shows the timing of our completion activities around the signing of the audit opinion. We depend on well planned timing of our audit work to avoid compromising the quality of the audit. We aim to complete all audit work no later than 2 days before audit signing.

Key:
- One day activity
- Activity over a period of time
- Year end
- Signing date of the Audit Report

Weeks before signing Audit Opinion	-3 weeks	-2 weeks		-1 week		Completion week			Teams involved in the process
Individual day's activities		Day 1	Day 3	Day 5	Day 1	Day 5	Day 1	Day 3	Day 5	
Arrange Pre-Issuance Review, Long Form Audit Report reviews and Going concern consultation, if applicable										Audit Team
Final audit fieldwork										Audit Team
Review audit field work & provide points to the audit team										2nd Line of Defence
Review significant risk audit areas and challenge work performed										RI and EQCR
Going Concern consultation										DPP Accounting & Reporting
Review of the Pre-Issuance Review and Long Form Audit Report										DPP Accounting & Reporting
Review of the financial statements as part of the Pre-Issuance Review										DPP Accounting & Reporting
Ensure points raised by the Pre-Issuance Review and Long Form Audit Report review are dealt with										RI and EQCR
Review Audit Committee report and draft accounts										RI and EQCR
Completion risk panel to discuss the draft Audit Committee report and draft accounts										Audit Risk Review Panels
KPMG Audit Committee report issued										Audit Team
Final Audit Committee										Audit Team
Ensure Pre-Issuance Review, Long Form Audit Report review and Going Concern consultation points have been satisfactorily dealt with										Audit Team & DPP Accounting & Reporting
Final audit field work completed and signed off										Audit Team
Stand-Back review										Audit Team
Ensure all points raised are cleared										RI / EQCR / 2nd Line of Defence

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