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Private & Confidential
The Management Committee
Fyne Homes Limited
81 Victoria Street
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31 August 2026
Our ref: JESP/FYNEH01/2026

Dear Committee members,

Fyne Homes Limited, Fyne Initiatives Limited, Fyne Futures & Fyne Energy Limited
Audit findings for the year ended 31 March 2026

This Audit Findings letter highlights the significant findings arising from the audit for the benefit of those charged with governance.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) (ISAs (UK)), which is directed towards forming and expressing an opinion on the financial. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

1 Audit status and audit opinion

We are pleased to report that the audit progressed well from our perspective and in accordance with the agreed timetable.

We do not propose any modifications to our audit opinion which is unqualified for each entity and the Group.

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ICAEW CHARTERED ACCOUNTANTS

2 Significant findings

Findings related to significant risks

Significant risks are defined by professional standards as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, we consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Significant risks at the financial statement level

Identified risk of material misstatement	Audit approach	Audit findings and conclusion
Management override of controls* Management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities. Due to the unpredictable way in which such override could occur, it is a risk of material misstatement due to fraud and thus a significant risk. **Risk of material misstatement: Very High (fraud)**	Procedures performed to mitigate risks of material misstatement in this area included: • Review of accounting estimates, judgements and decisions made by management; • Testing of journal entries; and • Review of any unusual significant transactions.	From the testing performed we identified no evidence of management override.
Going concern (Fyne Homes, Fyne Initiatives, Fyne Energy) As part of the audit of the financial statements we will review the going concern status of each individual entity and the Group. **Risk of material misstatement: Low**	In respect of going concern, we have reviewed: • your assessment of going concern; • the annual budgets; • the long term financial forecasts; • current banking facilities including renewal details; • letters of support provided to the subsidiary entities; and • post year end management accounts.	We concur with the Committee's and the respective subsidiary Board's assessment that it is appropriate to continue to prepare the financial statements on a going concern basis and there are no material uncertainties relating to going concern which should be disclosed in the financial statements.
The accounting treatment of the cessation of trading of Fyne Futures A decision was taken prior to the 2025 financial statements being	In respect of going concern, we will review: • The legal agreements surrounding the cessation of charitable activities, including the revised Community Distribution	We concur with the subsidiary Board's assessment that it is not appropriate to prepare the financial statements on a going concern basis. Additionally we are satisfied that the transaction has

signed off to cease operations within Fyne Futures and work towards a planned and orderly wind up of the charity during the year to 31 March 2026. As a result the charity is not a going concern and therefore the accounts must be prepared on a basis other than going concern.	Agreement and the Transfer Agreement; • The financial position of the entity at the point trade ceased and the accounting treatment of the transfer, including all necessary agreements and minutes to support the transactions undertaken; and • The disclosure within the financial statements of the going concern status and the transfer process.	been accounting for in line with the legal agreements in place and with accounting standards. We are also satisfied that the disclosures in respect of the transfer of assets and the cessation of trading are sufficient and appropriate.

Significant risks at the assertion level

Identified risk of material misstatement	Audit approach	Audit findings and conclusions
Revenue recognition* Material misstatement due to fraudulent financial reporting relating to revenue recognition is a presumed risk in ISA 240 (The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements). The material income streams for Fyne Energy Limited are the income generated from wind generated electricity and the sale of ROCS. The material income streams for Fyne Initiatives are from the design and build contract with the Association and commercial rents. The material income streams for Fyne Futures are the income from charitable activities and the receipt of Gift Aid from Fyne Energy Limited. **Inherent risk of material misstatement:** • **Fyne Energy and Fyne Initiatives: Turnover (occurrence and cut-off): Very high risk (fraud)** • **Fyne Futures: Turnover (completeness and accuracy): Very high risk (fraud)**	Procedures performed to mitigate risks of material misstatement in this area included: • Review and testing of revenue recognition policies; • Undertaking detailed substantive testing on material revenue streams; and • Undertaking cut off testing.	We identified no issues in respect of the recognition of revenue recognition.

Impairment of housing properties- this is a key accounting estimate (Fyne Homes) An impairment may have occurred and not be recognised meaning that housing properties are overstated in the financial statements. **Inherent risk of material misstatement:** • **Housing properties (valuation): Medium risk**	• We reviewed the carrying value (net book value less any unamortised grant) of the social housing units against the estimated depreciated replacement cost (this being the estimated cost of building or purchasing an asset of equivalent age and condition) to ensure no impairment has occurred. • We also looked for potential impairment indicators such as: -long term voids and difficult to let units; -units with significant repairs required; -cost overruns on new developments; -land banks; -units expected to be sold; and -units earmarked for demolition.	From our review we did not identify any impairment indicators and did not identify any impairment.
Defined benefit pension scheme - this is a key accounting estimate (Fyne Homes) The Association is a member of a defined benefit pension scheme: the SHAPS. Each year TPT provides a year-end accounting valuation of the SHAPS defined benefit scheme. The Association needs to account for the pension movement in the financial statements and ensure the disclosure is appropriate. **Inherent risk of material misstatement:** • **Defined benefit pension liability (valuation and accuracy): Medium risk** • **Defined benefit pension movement (accuracy): Medium risk**	We obtained from you the annual FRS 102 pension valuations and reviewed the year-end accounting journals. We reviewed the assumptions used within the valuation to ensure that these are appropriate and reasonable in comparison to benchmark assumptions, and we ensured that all necessary disclosure requirements are met.	From the audit work performed we are satisfied that the pension valuations have been correctly accounted for and disclosed within the financial statements.
Valuation of investment properties- this is a key accounting estimate (Fyne Initiatives only) Investment properties should be held at their value at the year end. If they are not then there may be a material misstatement. **Inherent risk of material misstatement:** • **Investment properties (valuation): Medium risk**	We considered if there had been a material change in circumstances since the last valuation was performed to ensure the current carrying value is representative of the fair value at the year end. We also reviewed the method and underlying assumptions used to carry out the valuation to ensure these are appropriate. We also assessed the independence, experience and qualification of the 3rd party valuer.	The fair value of the investment properties was compared to 3rd party valuations which are considered to still reflect the fair value of the investment properties held. We consider that the 3rd party valuer was independent and was suitably experienced and qualified to perform the valuation.

Accrued income – this is a key accounting estimate (Fyne Energy only) The financial statements include estimates for accrued income. There is a risk that these are not accurately included in the financial statements. **Inherent risk of material misstatement:** **Debtors (valuation): High risk**	We ensured that the accrued income, is reasonably estimated at the year-end by reviewing the underlying estimation and agreeing to corroborative information.	From the audit work performed we are satisfied that the accrued income has been correctly accounted for and disclosed within the financial statements.
Covenant compliance (Fyne Homes) Fyne Homes must monitor its compliance with all applicable loan covenants. Breaches would technically mean that the loans are repayable unless the breaches were waived by the lender. **Inherent risk of material misstatement:** • **Bank loans (rights and obligations): Medium risk**	We reviewed the covenant compliance workings and ensured that these agreed with the loan agreements and that the calculations are correct.	From the audit work performed, we are satisfied that there are no breaches in covenant compliance.

*these risks applied to all group entities

3 Going concern

As auditor, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

As noted above within our significant findings we have agreed with the conclusion that it is appropriate to prepare the financial statements on a going concern basis. In arriving at this conclusion, we have reviewed in detail the forecasts covering the 12 months from the signing of these financial statements, the long-term forecasts in place, current cash reserves and post year end performance.

4 Accounting policies, presentation and disclosures

The accounting policies used in preparing the financial statements are unchanged from the prior year.

Our work included a review of the adequacy of disclosures in the financial statements and consideration of the appropriateness of the accounting policies adopted.

We found the disclosed accounting policies, and the overall disclosures and presentation to be appropriate.

5 Other communication requirements

Fraud or suspected fraud

We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit.

Our work as auditor is not intended to identify any instances of fraud of a non- material nature and should not be relied upon for this purpose.

Non-compliance with laws and regulations

As part of our standard audit testing, we have reviewed the laws and regulations impacting the Group.

There are no indications from this work of any significant incidences of non-compliance or material breaches of laws and regulations stopping the Association and the Group from continuing as a going concern or that would necessitate a provision or contingent liability.

There are also many other laws and regulations relating to health and safety as well as human resources generally and industry specific requirements. We are not aware of any significant incidences of non- compliance.

Related parties

We are not aware of any related party transactions which have not been disclosed.

6 Misstatements

We are required to inform you of any significant misstatements within the financial statements presented for audit that have been discovered during the course of our audit.

The audit adjustments identified from our audit work are detailed in Appendix I.

The uncorrected misstatements identified from our audit work are detailed in Appendix II.

7 Group audit

As group auditor under ISA (UK) 600 we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and regarding the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Azets Audit Services conducted the audit for all entities of the group.

8 Internal controls

The purpose of an audit is to express an opinion on the financial statements. As part of our work, we considered internal controls relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. However, this work was not for the purpose of expressing an opinion on the effectiveness of internal controls.

We are required to report to you in writing, significant deficiencies in internal controls that we have identified during the audit. These matters are limited to those which we have concluded are of sufficient importance to merit being reported to you.

The scope of our work is not designed to be an extensive review of all internal controls. If we had performed more extensive procedures, we might have identified more deficiencies.

The deficiencies identified from our audit work are reported in Appendix IV below.

9 Independence

The Ethical Standard 2019 and ISA (UK) 260 require us to confirm our independence.

The provision of non-audit services

We have detailed in the table below the non-audit services provided together with the threats to our independence as external auditor these present and the safeguards we put in place to mitigate these threats:

Non-audit service	Type of threat	Safeguard
Corporation tax compliance services	Self-review	Corporation tax compliance services are provided by a separate tax team.
VAT	Self-review Management decisions	VAT services are provided by a separate tax team.
Preparation of the consolidation workings and the group financial statements	Self-review Management decisions	All consolidation adjustments were agreed with the key audit contact. In addition to this, a 2nd manager review of the consolidation process and the group financial statements was performed by an audit manager not involved in the audit of the financial statements.
iXBRL tagging of the financial statements	Self-review Management decisions	The iXBRL tagging is performed by an tax assistant, in a team entirely independent of the audit engagement team, after the financial statements have been signed. Tagging is a largely mechanical process. In the event there are questions of judgement, these will be passed to management or those charged with governance to answer.

10 Disclaimer

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. We do not accept any responsibility for any loss occasioned to any third party acting or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by your team during our audit.

If we can be of any further assistance, please contact me.

Yours faithfully

Jennifer Spence
Senior Statutory Auditor
jennifer.spence@azets.co.uk

Appendix I
Audit adjustments

Fyne Homes Limited

None

Fyne Energy Limited

SCHEDULE OF AUDIT ADJUSTMENTS

Journals		Statement of Financial Position		Statement of Comprehensive Income	
		Increase	Decrease	Decrease	Increase
Total Comprehensive Income per trial balance					987,486
1	Dr Deferred Tax - timing differences			127,775	
	Cr Deferred tax liability				
Being:	adjustment to incorporate deferred tax charge for the year				
	Total	-	-	127,775	-
	Net effect		-	-	127,775
	Adjusted Total Comprehensive Income				859,711

Fyne Initiatives Limited

SCHEDULE OF AUDIT ADJUSTMENTS

Journals		Statement of Financial Position		Statement of Comprehensive Income	
		Increase	Decrease	Decrease	Increase
Total Comprehensive Income per trial balance					12,002
1	Dr Recharge expenses			1,241,523	
	Cr Recharge income				1,241,523
Being:	adjustment to gross up for recharge income and expenditure				
	Total	-	-	1,241,523	1,241,523
	Net effect		-		-
	Adjusted Total Comprehensive Income				12,002

Fyne Futures

None

Appendix II
Uncorrected misstatements

Fyne Homes Limited

SCHEDULE OF UNCORRECTED MISTATEMENTS

Journals			Statement of Financial Position		Statement of Comprehensive Income	
			Increase	Decrease	Decrease	Increase
1	Dr	Trade Creditors	26,685			
	Cr	Expenditure - Repairs				26,685
	Being:	extrapolated error in respect of expenditure included in creditors where work was not completed at year end				
		Total	26,685	-	-	26,685
		Net effect - increase in surplus		26,685	-	26,685

Fyne Energy Limited

None

Fyne Initiatives Limited

SCHEDULE OF UNCORRECTED MISSTATEMENTS

Journals			Statement of Financial Position		Statement of Comprehensive Income	
			Increase	Decrease	Decrease	Increase
1	Dr	Recharge income			6,083	
	Cr	Recharge expenses				6,083
	Being:	adjustment to account for difference between actual and expected recharge income and expenditure				
		Total	-	-	6,083	6,083
		Net effect		-		-
		Effect on surplus				-

Fyne Futures

None

Appendix III
Provision of audit and non-audit services

Details of services provided	2026 £	2025 £
Audit of Association	16,500	15,700
Audit of subsidiaries	21,750	20,550
Total audit services	**38,250**	**36,250**
Preparation of consolidated financial statements	1,750	1,650
Total non-audit services	**1,750**	**1,650**
Total fees for services provided	**40,000**	**37,900**

Appendix IV

Internal controls

Control points arising from our current year work and our recommendations are summarised below. The recommendations are categorised into three risk ratings as shown in the key.

Key: Significant deficiency in internal control, Other deficiency in internal control, Other observations from the audit

Current year control recommendations

None

Follow up on prior year control point:

Area	Observation	Implication	Recommendation	Management response
Fyne Initiatives – Security held by the bank	It was noted that there are outstanding securities recorded at Companies House held by RBS however there are no loan facilities provided by RBS.	There is a risk that the company has provided security over assets that is not required and should be discharged.	It is recommended that the security arrangements are clarified with the bank and the security discharged if it is not required.	**Point has now been actioned**