Third Sector Accountancy Ltd

Chartered Accountants
and Registered Auditors

Farfield Mill Limited

Audit Management letter

Year ended 31st March 2026

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Introduction for trustees

This is our report to management following the audit of the financial statements for the year ended 31st March 2026. The primary purpose of the audit is to give an audit opinion on the financial statements, and the opinion is stated in the audit report included in the financial statements.

The audit proceeded as planned and according to the agreed timetable. We are pleased to confirm that the audit opinion will be unqualified. An unqualified audit report means that:

- we obtained adequate audit evidence to support the assertions in the financial statements
- we are satisfied that the books and records are in agreement with the financial statements
- we received all the information and explanations we considered necessary for the audit
- we are satisfied with the adequacy of the disclosures in the notes to the financial statements
- the trustees' annual report is consistent with the financial statements.

We gave an outline of our approach to the audit in our Audit Approach document sent to you previously.

We would like to express our thanks to the management team and staff for all their help with the audit.

The contents of this report and appendices are for the attention and information of the trustees and managers only. You may only disclose the contents of this letter and appendices to third parties (such as funders) with our permission and we cannot be held liable for any reliance placed on the contents by third parties.

If you would like to discuss the contents of this report or any aspects of your audit, then please do contact Abbas Shapuri.

Independence and objectivity

The factors affecting our objectivity and independence were detailed in our audit approach document. No new factors have come to our attention. We can confirm that we have maintained sufficient independence and objectivity in performing our work, and that we have complied with the Ethical Standards for Auditors.

Key audit risks

Risks	Audit work and conclusion
Split of cafe income between charitable vs non charitable	We performed detailed testing in regards to the split of the cafe income in the prior year audit to ascertain the charitable/non-charitable split. See Recommendations for further details in regards to the work performed. As discussed we will perform this work every two years.
Income recognition	Review of income streams and cut off to ensure income included in the correct period; correction to grant income deferral as a result
Undisclosed related party transactions	Data analysis of QB to find relevant transactions; discussion with you about related entities; investigation of those entities.
Management override	Reviewed all journals in QB to check bona fide. Discussions with you and review of minutes.
Expenditure fraud	Standard expenditure test, related party work.
Incomplete creditors	Review of after date purchases; review of after date bank payments; discussion with you; analytical review; creditor circularisation.
Going concern	We reviewed forecasts/budgets and other after date information and discussed with you and are confident that there is no material uncertainty about going concern.

Recommendations

The points we make here are some matters we felt would be useful to bring to your attention. The primary purpose of the audit is to form the audit opinion, and the points we make here have come to our attention during the audit. They should not be taken as an exhaustive list of improvements that could be made.
We hope that the recommendations are practical and can be implemented. We ask that you discuss the points at a trustees' meeting. We welcome comments and would appreciate a written response detailing action and implementation.
We will follow up on the status of these recommendations as part of the following period's audit.

Status of previous year’s recommendations

<table>
<tr><th>Issue</th><th>Implication</th><th>Recommendation</th><th>Management Response</th></tr>
<tr><td>Based on our work performed in regards to the charitable/ non-charitable split, although the split hasn't changed significantly, due to the increase in revenue, FFM are less than £1k from breaching the small trading tax exemption threshold of £80k.</td><td>Tax will be owed on any profits made regarding the tearoom and shop income stream.</td><td>Management should ensure this is factored in when creating the following year's budget if FFM are likely to breach in the following year.</td><td>It was agreed previously that some of the shop sales could be treated as charitable income as the items were purchased from individual artists. These items were excluded from the shop retail sales. The Tea Room was considered to contribute 9% of trading income. This led to trading income in 2024-25 of £70850. A similar calculation for 2025-26 gives trading income of £69,495. This assumes that the Tea Room % remains at 9%.</td></tr>
<tr><td>Posting restricted grants to the restricted funds equity code on QuickBooks rather than income.</td><td>Accounting records showing inaccurate fund balances due to the understatement of income.</td><td rowspan="2">To use classes to track restricted income and expenditure.</td><td rowspan="2">The accounting process was revised so that classes are used throughout. The monthly management accounts show the analysis of income and expenditure against the restricted and designated funds as well as the operational income and expenditure.</td></tr>
<tr><td>Using debtor codes on Quickbooks to track restricted expenditure rather than classes.</td><td>Accounting records showing inaccurate fund balances due to the overstatement of assets.</td></tr>
<tr><td>Coding sales of donated goods as No VAT rather than zero-rated</td><td>If ever the de minimis threshold was breached for partial exemption purposes, taxable income (20%, 5% and 0% rates) could be understated, reducing VAT recovery.</td><td>To apply 0% zero-rated code going forward</td><td>This was implemented with immediate effect</td></tr>
</table>

Current year recommendations

Issue	Implication	Recommendation
Missing daily financial till receipts for 3 items of our sample	Till income misstated as well as the split across the tea room, shop, artist sales etc which impacts charitable and trading income split	To ensure all daily financial till receipts are retained
Detailed review of the charitable/ non-charitable split to be done next year	Possibility that charity could exceed non-charitable trading threshold	To prepare or collect evidence throughout the year that will ensure confidence over the split between the charitable/ non-charitable income split
Charity SORP 2026 will apply to next year's financial accounts.	Changes in income recognition, lease recognition and additional reporting required in the trustee's annual report	No actions required, just a point of information. TSA have reviewed the figures and don't envisage any significant changes. We expect there to be some additional Trustee report disclosure items which we will advise on well before the audit period

Amendments to the financial statements

As part of our accounts preparation work we have processed standard accounting adjustments to your records in accordance with your accounting policies. In agreeing to the draft accounts you confirm your acceptance of these adjustments.

The detail of these adjustments is included in Appendix A.

As part of the audit we identified items which, either on their own or cumulatively, were of sufficient significance that without adjustment the statutory accounts would have contained material errors. As such we have adjusted the draft accounts for these items. We have made adjustments to the draft accounts for some less significant items that, despite being a lower value, were judged to clarify your financial position and performance. In approving the final financial statements you confirm that you agree with these adjustments.

The detail of these adjustments is included in Appendix B.

Appendix A

Accounts Preparation Adjustments

This is a summary of the adjustments made to the financial statements during the course of the accounts prreparation process.

Surplus/ (deficit) per accounting records ***(27,412)***

	Accounts Prep Journals	SOFA/BS	Debit	Credit	Effect on surplus/(deficit)
1	**Opening balances correction to agree with prior year signed accounts**				
Dr	Fixtures and Fittings Depreciation	BS	11		-
Cr	Retained earnings	BS		11	-

Surplus/ (deficit) per draft accounts **(27,412)**

Appendix B

Audit Adjustments

This is a summary of the adjustments made to the financial statements during the course of the audit process

Surplus/ (deficit) per draft accounts ***(27,412)***

	Audit Journals	SOFA/BS	Debit	Credit	Effect on
1	**Recognise tax refund**				
Dr	Other Debtors	BS	8,561	-	-
Cr	Tax expense	SOFA	-	8,561	8,561

Surplus/ (deficit) per final audited accounts **(18,851)**