10. Balance sheet

Introduction

10.1. All charities preparing accruals accounts must prepare a balance sheet at the end of each reporting period which gives a true and fair view of their financial position. The balance sheet provides a snapshot statement of a charity's assets and liabilities and how these are represented by the different classes of funds held by a charity.

10.2. The objective of the balance sheet is to show the resources available to the charity and whether these are available for all purposes of the charity or have to be used for specific purposes because of legal restrictions placed on their use.

10.3. This module applies to all charities and sets out:

- structure of the balance sheet;
- fixed assets – headings, classification and disclosures;
- current assets – headings, classification and disclosures;
- liabilities – headings, classification and disclosures; and
- funds of the charity – classification and disclosures.

10.4. Each section explains:

- what items are included in each heading of the balance sheet;
- the recognition principles and the measurement methods used for balance sheet items; and
- the information that must be, or should be, provided in the notes if not shown on the face of the balance sheet.

10.5. For information on the recognition and measurement of financial assets and liabilities charities must refer to the SORP module 'Accounting for financial assets and financial liabilities'.

Structure of the balance sheet

10.6. Table 5 sets out the format of a charity's balance sheet and the headings used to present its assets, liabilities and funds. A charity's balance sheet must:

- adopt the same format in subsequent reporting periods unless there are special reasons for a change that are explained in the notes; and
- provide corresponding amounts for the previous reporting period for each heading disclosed in the balance sheet.

Table 5: Balance sheet

Note ref.		Total funds	Prior year funds	Further details
		£	£	
	Fixed assets:			A
	Intangible assets			A1
	Tangible assets			A2
	Heritage assets			A3
	Investments			A4
	Total fixed assets			
	Current assets:			B
	Stocks			B1
	Debtors			B2
	Investments			B3
	Cash at bank and in hand			B4
	Total current assets			
	Liabilities:			C
	Creditors: Amounts falling due within one year			C1
	Net current assets or liabilities			
	Total assets less current liabilities			
	Creditors: Amounts falling due after more than one year			C2
	Provisions for liabilities			C3
	Net asset or liabilities excluding pension asset or liability			
	Defined benefit pension scheme asset or liability			C4
	Total net assets or liabilities			
	The funds of the charity:			D
	Endowment funds			D1
	Restricted income funds			D2
	Unrestricted funds			D3
	Revaluation reserve			D4
	Pension reserve			D5
	Total unrestricted funds			
	Total charity funds			

10.7. If there is a nil amount for a particular balance sheet heading in the current reporting period, a corresponding amount for the reporting period must still be disclosed unless that amount is also nil. If the amount for both the current and previous reporting periods is nil, then the heading should be omitted from the balance sheet.

10.8. The balance sheet must be signed by one or more trustees, each of whom has been authorised to do so by the trustee body, and must specify the date the accounts, including the balance sheet, were approved by the trustee body.

10.9. Where necessary to give a true and fair view, additional information must be provided in an additional heading or sub-heading in the balance sheet or given in a note to the accounts. Charities may choose to analyse the items included in any balance sheet heading in greater detail either on the face of the balance sheet or in a related note. The balance sheet may also be presented in a columnar format that analyses balance sheet items by class of fund: unrestricted, restricted income and endowment.

10.10. Where the corresponding amount for the previous reporting period is not comparable due to a change in accounting policy it must be adjusted if material to the balance sheet and the reason for the adjustment explained in the notes to the accounts.

10.11. The sections that follow are cross-referenced to the analysis headings shown in Table 5.

A: Fixed assets – headings, classification and disclosures

10.12. Fixed assets provide an economic benefit to the charity on an on-going basis (i.e. for more than one reporting period) through their ability to:

- generate income and/or gains; and/or
- contribute to furthering the charity's objectives.

10.13. Charities that hold or have received donated fixed assets in the reporting period must refer to the SORP module 'Donated goods, facilities and services, including volunteers'.

10.14. Fixed assets are recognised when:

- a resource is controlled by the charity as a result of a past event or transaction, for example a past gift or purchase;
- it is probable that the expected future economic benefits associated with the asset will flow to the charity; and
- the historical cost or fair value of the asset can be measured reliably.

Disclosure in the notes applying to all classes of fixed assets

10.15. For each class of fixed assets, including as a requirement of this SORP, fixed asset investments and heritage assets, the following analysis of their cost or valuation must be provided in the notes to the accounts:

- cost or valuation at the beginning of the reporting period;
- acquisitions during the reporting period;
- revaluations during the reporting period;
- disposals during the reporting period;

- transfers to or from that class of item during the reporting period; and
- cost or valuation at the end of the reporting period.

10.16. The following analysis must also be provided for each class of fixed assets that is subject to depreciation, amortisation, or impairment provisions:

- the cumulative amount of depreciation or impairment provided at the beginning of the reporting period;
- amount adjusted on disposal;
- amount of depreciation or amortisation provided in the reporting period;
- amount of any impairment provision in the reporting period;
- amount of any impairment reversals in the reporting period;
- amount of any transfer or other adjustment in the reporting period; and
- the cumulative amount of depreciation, amortisation or impairment provided at the end of the reporting period.

10.17. The carrying amount for each class of fixed assets must also be provided at the beginning and end of the reporting period.

A1: Intangible fixed assets

10.18. Intangible fixed assets are non-monetary fixed assets that do not have physical substance but are identifiable and are controlled by the charity through custody or legal rights. Intangible fixed assets include goodwill purchased on the acquisition of a business and/or purchased intangible assets such as concessions, patents, licences, trademarks and similar rights. Although such assets lack physical substance they provide an on-going economic benefit to the charity.

10.19. The cost of internally generated goodwill or intangible assets such as brands and logos must not be capitalised and are written off as expenditure as incurred. Expenditure on research must always be written off but the costs incurred in the development phase of an internal project may in certain circumstances be recognised as an intangible asset.

10.20. The criteria for the recognition of development costs as an intangible asset are rigorous and involve a demonstration of technical and financial feasibility of the development asset. For more information refer to section 18 of FRS 102.

10.21. Intangible fixed assets must be initially measured at their historical cost. The residual value of intangible fixed assets is nil when calculating the charge for amortisation unless reliable evidence exists to the contrary. Amortisation (see Appendix 1, 'Glossary of terms') on intangible fixed assets must be charged as an expense to the relevant statement of financial activities (SoFA) category reflecting the use of the asset.

10.22. Charities may opt, after initial recognition at cost, to use the revaluation model; for more information refer to section 18 of FRS 102.

10.23. Capitalised goodwill and intangible assets must be amortised on a straight-line (or a more appropriate systematic) basis over their useful economic lives, which must be reviewed at each reporting date. If, in exceptional cases, the useful life cannot be estimated reliably it is presumed to be no more than ten years.

Disclosures

10.24. The notes to the accounts for all charities must:

- explain the accounting policies adopted for intangible assets, including the measurement basis adopted, the amortisation rates and methods used, the reasons for choosing those amortisation rates and, where relevant, the policies for the recognition of any capitalised development expenditure;
- provide an analysis reconciling the opening and closing carrying amounts of each class of intangible asset held;
- for intangible assets acquired by way of grant, their value on initial recognition and their carrying amount;
- the carrying amounts of any intangible assets to which the charity has restricted title or that are pledged as security for liabilities;
- the amount of contractual commitments for the acquisition of intangible assets;
- the amount of research and development expenditure recognised as expenditure in the year;
- the heading(s) in the SoFA in which a charge of amortisation of intangible assets is included;
- if an accounting policy of revaluation is adopted, the effective date of the revaluation, whether an independent valuer was involved and the methods applied;
- for each revalued class of intangible assets, the carrying amount that would have been recognised had the assets been carried under the cost model; and
- a description of any individual intangible asset that is material, together with its carrying amount and remaining amortisation period.

A2: Tangible fixed assets

10.25. Tangible fixed assets, such as land and buildings, plant, vehicles and equipment, are held to provide an on-going economic benefit to a charity through their contribution, directly or indirectly, to the provision of goods or services by the charity.

10.26. Tangible fixed assets must be measured initially on the balance sheet at their historical cost. All costs incurred to bring a tangible fixed asset into its intended working condition should be included in the measurement of cost. Charities may adopt an accounting policy of capitalising borrowing costs, including interest, that are directly attributable to the construction of tangible fixed assets, or may write off such borrowing costs as an expense in the SoFA as they are incurred.

Accounting for hire purchase and leasing arrangements

10.27. If leasing a tangible fixed asset, the lease must be classified as a finance lease unless it meets the criteria of an operating lease. The characteristic of a finance lease is that the hire purchase or lease arrangements transfer substantially all the risks and rewards of ownership to the lessee.

10.28. Charities must refer to section 20 of FRS 102 for more information about the recognition, measurement and note disclosures required for leases.

Accounting for depreciation

10.29. A tangible fixed asset, less its residual value (its scrap or realisable value at the end of its economic life), must be depreciated on a systematic basis over its useful economic life. The charity should choose a depreciation method which reflects the use of the asset and the expected timing or pattern of consumption of its economic benefits.

10.30. Some assets may have a high residual value which will remove the need for depreciation to be charged. For example, land is not depreciated because it will not generally wear out and its residual valuation is likely to be at least equal to its cost or valuation. However, land is tested for impairment.

10.31. Where an asset comprises two or more major components which have substantially different useful economic lives, each component must be depreciated separately over its useful economic life.

10.32. The depreciation charged for the reporting period must be recognised as an expense in the SoFA. The expense is charged or apportioned to the relevant SoFA heading(s) reflecting the asset's use.

Accounting for the revaluation of tangible fixed assets

10.33. A charity may choose to adopt an accounting policy of revaluing one or more classes of the tangible fixed assets it holds. For example, land and buildings may be revalued but not motor vehicles. If a policy of revaluation is adopted, then all assets within that particular class must be revalued. Buildings of a similar nature, function or use held by the charity constitute a class of tangible fixed assets.

10.34. In the case of other tangible fixed assets such as motor vehicles, there may be an active second-hand market for the asset, or appropriate indices may exist allowing a valuation to be made with reasonable reliability.

10.35. If a policy of revaluation is adopted, then charities must:

- Carry all assets within the relevant class of tangible fixed assets carried at their revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. However, if the trustees believe that a reliable market valuation is not possible, then the value in use to the charity or its depreciated replacement cost should be used.

- Undertake valuations on a regular basis to ensure that the carrying amount does not differ materially from the fair value of the asset at the end of the reporting period. This appraisal is normally undertaken by professionally qualified valuers although it may be carried out internally provided staff have knowledge of the relevant property market.
- Undertake valuations of land and buildings with sufficient regularity, for example charities may undertake a review on a rolling basis over a five-year period.

10.36. If a policy of revaluation is adopted, then revaluations and recognised gains and losses must be presented in the accounts as follows:

- A separate revaluation reserve must be shown within the funds analysis on the balance sheet.
- Revaluation gains must be recognised as ‘Gains on the revaluation of fixed assets’ within the SoFA, unless they reverse a charge for impairment that has previously been recognised as a cost within the expenditure headings of the SoFA.
- Any gain on disposal over the carrying amount must be recognised in ‘Other’ income within the SoFA.
- Revaluation losses must be recognised as an expense in the relevant expenditure heading of the SoFA except to the extent to which they offset any previous revaluation gains, in which case the loss is shown in the ‘Gains/(losses) on the revaluation of fixed assets’ section of the SoFA.

Disclosures

10.36A. The disclosures in paragraph 10.37 are relevant to a charity that chooses to measure investment property rented to another group entity under the cost model, as permitted by paragraph 10.48A.

10.37. The notes to the accounts must:

- set out the depreciation method used and the useful economic lives of assets or the depreciation rate used;
- state the amount of borrowing costs, if any, capitalised in the construction of tangible fixed assets and, where applicable, the capitalisation rate used;
- state the amount of contractual commitments to acquire tangible fixed assets;
- identify the existence and carrying amounts of property, plant and equipment to which the charity has restricted title or that are pledged as security for liabilities; and
- provide an analysis reconciling the opening and closing carrying amounts of each class of tangible fixed asset held. An example of such an analysis is given in Table 6.

Table 6: Analysis of opening and closing carrying amounts

	Freehold land and buildings	Leasehold land and buildings	Plant and machinery	Fixtures, fittings and equipment	Total
	£	£	£	£	£
Cost or valuation					
At beginning of the year					
Additions					
Disposals					
Revaluations					
Transfers					
At end of the year					
Depreciation and impairments					
At beginning of the year					
Disposals					
Depreciation					
Impairment					
Transfers					
At end of the year					
Net book value at beginning of the year					
Net book value at end of the year					

10.38. If any class of tangible fixed assets has been revalued, charities must disclose:

- the effective date of the revaluation;
- whether an independent valuer was involved;
- the methods and significant assumptions applied in estimating the items' fair value; and
- for each revalued class of property, plant and equipment, the carrying amount that would have been recognised had the assets been carried under the historical cost model.

A3: Heritage assets

10.39. A heritage asset is a tangible asset or intangible asset with historic, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

10.40. Heritage assets are a distinct class of tangible fixed asset or intangible fixed asset. Charities holding heritage assets must refer to the SORP module 'Accounting for heritage assets'. This module explains the recognition, measurement and disclosures relevant to heritage assets.

A4: Investments

10.41. Fixed asset investments are held to generate income or for their investment potential, or both. Investments may include 'social investments' where the purpose in making the investment is wholly or partly to further the charity's aims.

10.42. Fixed asset investments exclude those investments held specifically for sale or those investments which the charity expects to realise within 12 months of the reporting date.

10.43. Investment gains and losses, whether realised or unrealised, are combined and shown in the heading 'Gains/(losses) on investments' in the SoFA.

Investments listed or traded on a recognised stock exchange

10.44. Fixed asset investments in quoted shares, traded bonds and similar investments must be measured initially at cost and subsequently at fair value (their market value) at the reporting date. This treatment is in accordance paragraph 11.14(d) of FRS 102.

Investment properties

10.45. An investment property is property (land or a building, or both) held by the owner or by the lessee under a finance lease to earn rentals or for capital appreciation, or both rather than for use in the production or supply of goods and services or for administrative purposes; or sale in the ordinary course of business.

10.46. Land and/or buildings are excluded from investment properties and treated as tangible fixed assets instead if:

- the construction work and development has not been completed; or
- the property is occupied by the charity for its own purposes; or
- the property is held for sale in the ordinary course of business (in which case the property must be included as a current asset).

10.47. Mixed use property should be separated between investment property and property held for operational use as a tangible fixed asset if the resulting portions could be sold separately (or leased out separately under a finance lease). However, if the fair value of the investment property component cannot be measured reliably, the entire property should be accounted for as property within tangible fixed assets.

10.48. Investment properties must be measured initially at cost and subsequently at fair value at the reporting date, except where that property is rented to another group entity. Depreciation is not provided on investment property measured at fair value.

10.48A. A charity that rents investment properties to another group entity may choose to account for those properties in its individual financial statements either: at fair value with any gain or loss taken through the SoFA; or transfer them to tangible fixed assets, and measure them using the cost model. Investment property measured using the cost model is carried at cost less any accumulated depreciation and any accumulated impairment losses.

10.48B. When only part of a property is rented to another group entity, paragraph 10.48A only applies to the component of that property that is rented to another group entity.

Unlisted investments

10.49. Unlisted equity investments must be measured initially at cost and subsequently measured at fair value unless fair value cannot be measured reliably in which case it is measured at cost less impairment. Where the charity holds an interest in subsidiaries, associates and joint venture entities, it should refer to the relevant SORP module(s).

Social investments

10.50. This SORP uses the term 'social investments' to describe programme related and mixed motive investments. Programme related investments are held to further the charitable purposes of the investing charity. Although programme related investments can generate a financial return, the achievement of a financial return is incidental to furthering the charitable purposes of the investing charity.

10.51. Mixed motive investments are a form of social investment made in part to further the charitable purposes of the investing charity and in part to generate a financial return.

10.52. Charities holding mixed motive or programme related investments must refer to the SORP module 'Accounting for social investments', which explains their recognition, measurement and disclosure.

Disclosure of investments and investment properties

10.53. The notes to the accounts must:

- state the accounting policies for investments, including the basis on which investments are measured;
- provide an analysis of investments by class of investment identifying the amounts held within each class, with those investments held at fair value differentiated from those held at historical cost less impairment; and
- provide an analysis reconciling the opening and closing carrying amounts of each class of fixed asset investment held.

10.54. The classes of investments disclosed in the note will vary from charity to charity reflecting the differing nature of the investments held. This SORP requires that the analysis must as a minimum identify material amounts held in the following classes of investment:

- cash or cash equivalents;
- listed investments;
- investment properties;
- loans to group undertakings;
- equity investment in group undertakings;
- social investments; and
- other investments.

10.55. Charities must also refer to the SORP module 'Accounting for financial assets and financial liabilities' for the further disclosures that apply to investments as financial instruments.

10.56. Charities holding investment property must also disclose:

- the methods and significant assumptions applied in determining the fair value of investment property;
- the extent to which the fair value of investment property is based on a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and class of the property being valued (or if there has been no such valuation this fact must be disclosed);
- the existence and amounts of any restrictions on the ability to realise investment property or on the remittance of income and proceeds of disposal;
- any contractual obligations for the purchase, construction, or development of investment property or for repairs, maintenance or enhancements;
- in the analysis (see paragraph 10.15) the additions resulting from acquisitions through business combinations, if any; and
- the carrying amount at the end of the reporting period of investment property rented to another group entity, where the charity has chosen to account for such property using the cost model.

B: Current assets – headings, classification and disclosures

10.57. Current assets are the assets of the charity which are not intended for use on a continuing basis in the charity's activities and are usually consumed, realised or expended as part of the charity's activities, within 12 months of its reporting date. Current assets include stocks, debtors, investments held for sale and cash. The sections that follow set out how these categories of assets are measured and disclosed in the accounts.

10.58. Charities that hold donated assets for distribution or resale or have received them in the reporting period must refer to the SORP module 'Donated goods, facilities, and services, including volunteers'.

B1: Stocks

10.59. Stocks are items that will be used by the charity in providing goods and services. Stocks may include goods held for distribution to beneficiaries, or educational literature or brochures for distribution.

10.60. Stocks held for sale as part of a non-charitable trade must be measured at the lower of the cost and net realisable value of the separate items of stock or groups of similar items.

10.61. When goods or services are provided as part of a charitable activity either free or at a subsidised cost, then net realisable value should be based on the service potential provided by the items of stock. For example, if goods are held for free distribution and the item continues to meet the need(s) for which it was purchased, then it should not be written down to a nil realisable value except where the item of stock is damaged or obsolete. Damaged or obsolete stocks should be written down as an expense and charged to the relevant SoFA heading(s) reflecting their intended use.

10.62. Charities which have contracts of less than one year's duration may have work in progress at the reporting date. Where the value of work in progress is material, it should be valued at cost less any foreseeable loss that is likely to occur on the contract and shown separately as a subheading within stock.

Disclosures

10.63. The notes to the accounts must disclose:

- the accounting policies adopted in measuring the value of stocks and, if applicable, work in progress and any cost formulae used;
- the carrying amount of stocks and, if applicable, work in progress analysed between activities;
- any charges for impairment or reversal of impairment losses; and
- the carrying amount of any stocks pledged as security for liabilities.

B2: Debtors

10.64. Debtors include amounts owed to the charity for the provision of goods and services or amounts the charity has paid in advance for the goods and services it will receive. Debtors also include amounts receivable on grant funding to which the charity is entitled.

10.65. Debtors must be measured at their recoverable amounts (the amount the charity anticipates it will receive from a debt or the amount it has paid in advance for goods or services).

10.66. An amount recoverable more than a year after the end of the reporting date must be measured at its present value at the balance sheet date if the time value of money is material and the settlement terms constitute a financing transaction. The unwinding of the discount is credited to income as interest receivable.

Disclosures

10.67. The notes to the accounts must set out, within the disclosure of accounting policies, the basis on which debtors are measured.

10.68. This SORP requires that the notes to the accounts must also provide an analysis of the amounts, including comparatives for the previous reporting period, of the following items:

- trade debtors;
- amounts owed by group and associated undertakings;
- prepayments and accrued income; and
- other debtors.

10.69. If material to the disclosure of debtors, the amount of debtors recoverable more than a year after the reporting date, if not shown as a separate line on the balance sheet, must be separately disclosed in the notes to the accounts.

B3: Current asset investments

10.70. Current asset investments are investments which a charity holds for resale or pending their sale and cash or cash equivalents with a maturity date of less than one year. This heading includes cash on deposit and cash equivalents with a maturity of less than one year held for investment purposes rather than to meet short-term cash commitments as they fall due.

10.71. To be classified as a current asset, the charity should not intend to hold the cash or cash equivalents as part of its on-going investment activities for more than one year from the reporting date. However, cash and cash equivalents that are held from time to time as part of a fixed asset investment portfolio should be presented as part of fixed asset investments. Current asset investments must be valued at their fair value except where they qualify as 'basic' financial instruments. For more information refer to the SORP module 'Accounting for financial assets and financial liabilities'.

Disclosures

10.72. The notes to the accounts must explain, within the disclosure of accounting policies, the basis on which current asset investments are measured and how the charity has defined any short-term, highly liquid investments as current asset investments.

10.73. This SORP requires that the notes must provide an analysis of amounts, including comparatives for the previous reporting period, of the following items included within current asset investments:

- cash equivalents on deposit;
- investment properties held for sale (charities may opt to include any properties previously classified as investment properties which have been redesignated as held for sale);
- investment in group undertakings held for sale;
- listed investments; and
- other investments.

B4: Cash at bank and in hand

10.74. Cash at bank and in hand is held to meet short-term cash commitments as they fall due rather than for investment purposes and includes all cash equivalents held in the form of short-term highly liquid investments. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value. A cash equivalent will normally have a short maturity of, say, three months or less from the date of acquisition.

Disclosures

10.75. The notes to the accounts must explain, within the disclosure of accounting policies, how the charity has defined any short-term, highly liquid investments included as cash at bank and in hand.

C: Liabilities (C1 to C3) – headings, classification and disclosures

10.76. Liabilities are amounts due to creditors and any provision made as a result of an obligation to transfer economic benefits, usually in the form of a cash payment, to a third party. Liabilities must be measured at their settlement amount except for certain types of financial liabilities. A liability is recognised for the amount that the charity anticipates it will pay to settle the debt or the amount it has received as an advance payment for goods or services it must provide.

10.77. A provision is a liability where the amount and/or timing of its settlement is uncertain. A provision is only recognised when:

- there is a present obligation at the reporting date as a result of a past event;
- it is probable that a transfer of economic benefit, usually in the form of cash, will be required in settlement; and
- the amount of the settlement can be estimated reliably.

10.78. Provisions for liabilities must be measured at the best estimate of their settlement amount. If the settlement date of a provision is likely to be more than 12 months from the reporting date and the time value of money is material to the amount, then the provision should be discounted back to its present value at the reporting date.

10.79. Provisions recognised in the balance sheet must be reviewed at the reporting date and adjusted to reflect the current best estimate of the settlement amount.

Disclosures

10.80. In the balance sheet, creditors and provisions must be analysed between:

- (C1) creditors: amounts falling due within one year;
- (C2) creditors: amounts falling due after one year; and
- (C3): provisions for liabilities.

10.81. The notes to the accounts must explain, within the disclosure of accounting policies, the basis on which creditors and provisions for liabilities and charges are recognised and measured.

10.82. This SORP requires that in the notes, creditors falling due within one year and after one year must be analysed between:

- accruals for grants payable;
- bank loans and overdrafts;
- trade creditors;
- amounts owed to group and associated undertakings;
- payments received on account for contracts or performance-related grants;
- accruals and deferred income;
- taxation and social security; and
- other creditors.

10.83. Charities must also disclose:

- an analysis reconciling the opening and closing carrying amounts of each class of provisions;
- a brief description of the nature of the obligation and the expected amount and timing of resulting payments;
- an indication of the uncertainties about the amount or timing of those outflows; and
- the amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.

Contingent liabilities and contingent assets

10.84. A contingent liability is either a possible but uncertain obligation or a present obligation that is not recognised because:

- a transfer of economic benefit to settle the possible obligation is not probable; or
- the amount of the obligation cannot be estimated reliably.

10.85. A contingent asset is a possible asset that arises from a past event but is not recognised in the balance sheet as its existence can only be confirmed by future events which are not within the charity's control.

Disclosures

10.86. Contingent liabilities are disclosed unless the possibility of their existence is remote. Contingent assets are disclosed when their existence is probable.

10.87. The notes to the accounts must provide for each class of item:

- a brief description of each contingent item; and
- where practicable, an estimate of its financial effect.

10.88. Charities must, where practicable, also provide:

- an indication of the uncertainties relating to the amount or timing of settlement; and
- the possibility of any reimbursement; or
- if it is impractical to make one or more of these disclosures that fact must be stated; or
- in extremely rare cases where FRS 102 allows non-disclosure of information that would be expected to seriously prejudice the position of the entity in a dispute with other parties, the general nature of the dispute and the reason why disclosure has not been made must be given.

C4: Defined benefit pension scheme asset or liability

10.89. Charities that participate in a defined benefit pension scheme must refer to the SORP module 'Retirement and post-employment benefits' for the recognition, measurement and disclosure of defined benefit pension scheme assets and liabilities.

D: Funds of the charity (D1 to D5) – classification and disclosures

10.90. The assets and liabilities administered by a charity are referred to as its funds.

10.91. Charities must refer to the SORP module 'Fund accounting', which sets out the required disclosures for the separate funds a charity may hold. A charity may choose to disclose the amount identified in its reserves policy statement as its reserve fund under a sub-heading of its unrestricted funds provided that this amount is positive.

10.92. A revaluation reserve arises on the revaluation of an asset subsequent to its initial recognition. While a revaluation reserve will often form part of the unrestricted funds of the charity, any part of the reserve derived from the revaluation of assets held within a restricted fund must be shown as part of restricted funds.

10.93. Charities participating in a defined benefit pension scheme may show the equivalent value of the pension asset or liability as a separate pension reserve. The pension reserve will often form part of the unrestricted funds of the charity. The circumstances when part of a pension reserve may be allocated to a restricted fund are set out in the SORP module 'Retirement and post-employment benefits'. In the case of those multi-employer pension schemes where an actuarial valuation of a defined benefit pension plan liability is unavailable, the pension reserve may also include the value of any provision made to meet the obligation resulting from a funding agreement to make good a deficit related to a defined benefit pension scheme.