

26. Charities as subsidiaries

Introduction

26.1. The reporting tiers applied for module 26 are as specified in the table below.

Table 26.1A: Tiered reporting requirements for module 26

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| All tiers | The requirements for subsidiaries in this module apply fully to all charities. |
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26.2. On occasion, a company or other incorporated body may act as a charity's corporate trustee, or a charity's trustees may be appointed by another entity. In these circumstances, the charity can be viewed for accounting purposes as a subsidiary because it is being 'controlled' by another entity through the trusteeship arrangements. This module applies to charities that are treated as a subsidiary in the accounts of another entity.

26.3. A subsidiary is an entity that is controlled by a parent entity. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Although a charity is controlled and managed by its trustees, it can be a subsidiary for accounting purposes when the criteria for control are met.

26.4. A charity that is a subsidiary, for accounting purposes, of another charity or other entity, must make the disclosures required by this module in its own accounts.

26.5. Charities should refer to Section 33 of FRS 102 Related Party Disclosures for more information.

Disclosure requirements

26.6. A charity that is a subsidiary must disclose in a note to its own accounts the name of its parent entity and, if different, the ultimate controlling party. If neither the charity's parent nor the ultimate controlling party produces financial statements available for public use, the name of the next most senior parent that does so (if any) must also be disclosed.

26.7. Relationships between a parent and its subsidiaries must be disclosed irrespective of whether there have been related party transactions.

26.8. This SORP also requires that a subsidiary must also disclose:

- the country of incorporation of its parent entity, if it is outside the UK or the Republic of Ireland
- the address of its parent's place of business, if the parent is unincorporated
- if the parent is a charity, its charity registration number and, if applicable, its company registration number in the jurisdiction of its registration

- the parent's principal purposes and activities
- how control can be exercised by the parent, for example through corporate trusteeship or through a power to appoint or remove the majority of trustees
- the address from which the public can obtain the consolidated accounts that include the subsidiary charity's accounts

26.9. Where for accounting purposes the parent entity is itself a subsidiary of another entity, this SORP requires that the notes to the accounts must disclose the same information about the subsidiary charity's ultimate parent entity.

26.10. Charities must also make the applicable disclosures set out in the SORP module 9 '*Disclosure of trustee and staff remuneration, related party, and other transactions*'.