

26. Charities as subsidiaries

Introduction

- 26.1. 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.
- 26.2. 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.
- 26.3. Section 15 of the FRSSE sets out particular disclosures required by company law that charities using the FRSSE must have regard to when presenting their accounts. This SORP requires all charities make relevant disclosures as set out in the FRSSE for a parent entity and in addition provide information about how control over the charity is exercised and of transactions with the parent entity.

Disclosures required by the SORP

- 26.4. A charity adopting the FRSSE that is a subsidiary must disclose in a note to its own accounts:
- the name of its parent entity;
 - the country of incorporation of its parent entity, if it is outside the UK (or the Republic of Ireland);
 - if unincorporated, the address of its parent's place of business; and
 - the address from which the public can obtain the consolidated accounts that include the subsidiary charity's accounts.
- 26.5. In addition, charities adopting this SORP must also disclose:
- 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; and
 - 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.
- 26.6. 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.
- 26.7. The accounts must also make the applicable disclosures set out in the SORP module '[Disclosure of trustee and staff remuneration, related party and other transactions](#)'.