

# Invitation to Comment on Exposure Draft Charities SORP

Do you consent to personal data you provide being held, in accordance with UK GDPR and the Privacy Policy of the Charities SORP making body and its delegated parties? If you select 'no' your name and email address will not be stored, but your organisational data (if relevant) and all consultation responses will be collected.

Yes

Name:

Harriet Taylor-Raine

Email address:

[REDACTED]

Role (for example, Chair, Trustee, Accountant, Treasurer etc):

NFP Technical FR Manager

Are you happy for the SORP-making body to contact you if needed to discuss your responses?

Yes

Do you want your response to be treated confidentially by the SORP-making body and not published?

No

Are you responding:

On behalf of an organisation/body

## Responding on behalf of an organisation/body

If responding on behalf of an organisation or body, please provide its name :

Grant Thornton

Please select what best describes the organisation:

An accounting firm / auditor

## A charity applying FRS 102 and the Charities SORP

What was the last reported gross income as set out in the charity's last annual accounts?

*No Response*

## A user of accounts prepared under FRS 102 and the Charities SORP

In which capacity were you using accounts prepared under FRS102 and the Charities SORP?

*No Response*

## An accounting firm / auditor

How many charity clients do you supply your services to?

More than 50 charity clients

## An accounting firm providing independent examination services to charities

How many charity clients do you supply your service to?

*No Response*

## A sector body

How many member charities does your organisation have?

*No Response*

## Responding as an individual

Which of the following describes you?

*No Response*

Question 1: Do you support the move to three tiers?

Yes

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

We welcome reduced reporting for smaller charities to reduce the administrative burden and allow better comparisons between larger and smaller charities.

Question 2: Do you consider that the proposed thresholds have been set at an appropriate monetary level in order to support a proportionate approach to reporting?

No

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

The tier 1 threshold of £500k is inconsistent with the audit threshold which is currently set at £1m (with possibility to increase to £1.5m following the Charity Commission's consultation). We would expect tier 1 to reflect non-audited entities up to £1m. At present, the lower tier does not 'match up' with any other existing guidance (i.e. the Charities Act 2011) and places a higher reporting burden on smaller charities (i.e. those with £500k-£1m income) and feels arbitrary. It is not clear to us why Tier 2 thresholds are set to align with that of the Companies Act small companies regime (paragraph 35) yet a similar alignment, with, say the micro-entities thresholds in the Companies Act (currently set at £1m), has not been applied to Tier 1 charities. A change to tier 1 with income up to £1m would better align with the Charities Act and Companies Act thresholds and allow better comparisons between charities, companies, and charitable companies. We agree with the tier 2 and 3 thresholds.

Question 3: Do you agree that the Exposure Draft SORP clearly sets out the proposed reporting requirements for each tier?

No

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

There is some lack of clarity for example, 1.20 requires all tiers to "provide a summary of the main activities undertaken." Section 1.25 then requires tier 2 charities to further explain "what significant activities the charity undertakes." This might create duplication of effort as it appears that larger charities must provide both a summary and a more detailed understanding which seems repetitive. This requirement for repetition also occurs elsewhere, for example section 1.48 and 1.49 requires duplication for tier 2 and 3 charities. While we acknowledge the intention of the SORP making body may be to require more detailed disclosure about each matter at increasing tier levels, the current draft requirements would benefit from clearly articulating the expectations. The level of detail required will be highly subjective and therefore the objectives of the requirement could potentially be undermined.

Question 4: Do you agree that charities within the largest income threshold should be referred to as 'tier 3' charities, or should they be referred to as 'tier 1' charities?

No opinion

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

The body of the SORP is clear on which tier is which.

**Question 5: Do you have any additional comments in relation to the proposed tiered reporting structure in the Exposure Draft SORP?**

In the event that the company law thresholds change in the future, it is not clear if the SORP thresholds will also change (or if a new SORP will be required). Paragraph 35 may benefit from more flexible language so that if company law thresholds change, the SORP wording remains future-proof and applicable for any further changes.

It is not clear what the treatment is if a charity is consistently within tier 1, when on receipt of a large legacy (for example), would become tier 2 for a single reporting period. The SORP could provide guidance on how charities move between tiers (and if there is a 2 year rule for example (Companies Act 2006 s 382, 384A, 465))

Paragraph 1.29 refers to setting out "how well" the charity has performed. This may not give rise to a balanced view, including areas for improvement, as well as successes. We recommend revising this paragraph to require the charity to explain "how" the charity has performed, to reduce positive bias. Furthermore, we suggest that paragraph 1.33 which states 'the report should comment on those significant positive and negative factors' be revised to assert a stronger obligation by using the word "must".

It is not clear why stakeholders for tier 1 and 2 charities would not want to understand material fundraising activity performance, as this is required only for tier 3 charities (paragraph 1.34). Smaller charities often rely more on fundraising activities to support their causes, as grant funding and other sources can be far more competitive.

It would be helpful if, in the final version of the SORP, there was the functionality to download / access versions that are tailored to the various tiers, much like the ability to access and filter the requirements within the new Charity Investment Governance Principles. This would enable those smaller charities to focus on the requirements for their size organisation and make the SORP more easily navigable.

**Question 6: Do you agree that including prompt questions will help trustees to develop their Trustees' Annual Report?**

Yes

**Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)**

This is a clearer way of ensuring that charities have complied with requirements, and we encourage the use of prompt questions in order to help trustees understand if they have included all relevant information.

**Question 7: Do you consider the requirements for impact reporting for each tier to be proportionate?**

No

**Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)**

Paragraph 1.31 states charities "must" explain their impact, but paragraph 1.32 uses "should" in the context of its content – this seems inconsistent given both paragraphs appear to be explaining impact reporting requirements. Use of "should" may result in differing levels of reporting. Indeed, this is softer than the current SORP which refers in 1.36 that larger charities "must" include criteria or measures to assess success.

Section 1.34 may be misleading as it indicates that tier 2 charities would only need to make these disclosures if they are material. However, they are already required to make fundraising disclosures under The Charities (Protection and Social Investment) Act 2016 where their income is more than £1m, regardless of materiality. A footnote to make this inconsistency with the law clear may be helpful, and act as a reminder to organisations of their wider disclosure responsibilities.

Given the variety in impact reporting seen to date, and the current lack of clear guidance, the SORP making body could include a non-exhaustive list of suggested quantitative KPIs, metrics or targets indicative of good impact reporting. Whilst these cannot cover all types of charities, suggestions may be beneficial to users in interpreting the requirements.

Question 8: Do you consider the requirements for sustainability reporting for each tier to be proportionate?

No

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

We would expect the SORP to be stronger in its requirements and use "must" directions to ensure some reporting on sustainability. Whilst some disclosure "must" be included for tier 3, 1.62 does not go far enough to explain what is required likely leading to discrepancy across the sector. Given that SECR reporting within companies is embedded, we might expect the SORP to include some of these requirements.

We agree that reporting should be reduced for tier 1 and 2, however we would prefer the use of stronger language that requires tier 2 to report their responses to ESG matters, rather than simply "encouraging" them. In addition, environmental and sustainability reporting has become mandatory for large companies, and there is an increased focus on such reporting by consecutive governments, so we anticipate that there may be more robust requirements for charities to report in the future. In recognition of the above, it would be beneficial for tier 2 charities to include some ESG reporting and would prepare charities for possible future requirements.

It may be helpful to tiers 1 and 2 if prompts were included, as the singular sentence is vague in paragraph 1.60. E.g., "has the charity taken any energy efficiency actions?" or "have trustees considered success planning to ensure long-term governance suitability?"

External reports may be referred to in the annual report (1.64). If any external reports are included within the 'other information' of the auditors opinion, these may become in scope of the audit and increase professional fees.

Question 9: Do you consider the disclosures for volunteers to be proportionate?

Yes

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

*No Response*

Question 10: Do you consider the explanation of reserves in the glossary helpful?

No



Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

The definition of "reserves" in the glossary explains "free reserves." It is our understanding that "reserves" would encompass all reserves (restricted, unrestricted, designated, endowments) whereas "free reserves" would be those that are "freely available to spend on any of the charity's purposes." We would expect that reserves policy disclosures (SORP 1.38) would explain policies in respect of all reserves (for example designations, understanding of endowments etc.). However, the current definition of reserves means that only "free" reserves would need to be explained. We recommend that two definitions are given, one for "reserves" encompassing all reserves, and one for "free reserves."

Some of the words used within the definition could be confusing

- The phrase "unless otherwise indicated" within the definition is unhelpful as it is unclear what 'indications' might change this definition.

- The word "normally" without clearly explaining exceptions is unhelpful. The additional considerations in the final bullet points are not directive or clear considering this is a definition. These considerations may be better suited to the main body of the SORP.

The free reserves calculation is a helpful, welcome addition, however it could include further detail on the type of balances that would be excluded, such as:

- Intangible assets
- Investment property and social investments
- Stock

The definition may be clearer if it referenced the highly liquid nature of the assets and the timing of their conversion into cash (as some cash and cash equivalent investments may be readily available and therefore should be included in the free reserves calculation).

**Question 11: Do you consider the disclosures for reserves are proportionate?**

No

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

Tier 1 charities, who reasonably may be expected to have lower level of reserves, are required to include a disproportionate amount of information on reserves, compared to other areas of their accounts (for example, no commentary is required on the SOFA). Many smaller charities likely have only unrestricted reserves and a simple policy, so the requirements seem extremely detailed for the amount of information available.

Paragraph 1.37 states "reserves describes that part of a charity's unrestricted funds that is freely available..." but paragraph 1.41 goes on to require that "the review of charity's reserves must" include an explanation of designated funds. Designated funds would not form part of a charity's free reserves balance and so this language appears inconsistent. Please refer to our comments on the reserves definition within question 10

**Question 12: Do you consider the requirement for tier 1 charities to provide a summary of their plans for the future is proportionate?**

Yes

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

Although as currently worded, the requirement in 1.48 might generate generic or boilerplate disclosures. Additional guidance to assist tier 1 accounts preparers would be beneficial to ensure any disclosure given is useful and tailored to the charity. Many charities will simply 'carry on' and keep working towards their charitable aims, so this disclosure may not be very informative. Section 1.50 of the existing SORP includes more context which may provide helpful considerations for tier 1 charities who have not had to make this disclosure in prior periods.

The use of prompt questions could also be beneficial here, such as "what activities will the charity undertake over the next 12 months?" or "are any significant events anticipated in the near future?"

**Question 13: Do you consider that the additional disclosure will help to explain the treatment of legacies in the accounts?**

No

**Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)**

1.46 requires explanation of the impact of any material legacy income. However, this is only a "should" include rather than a "must" include, which may lead to charities opting not to include this disclosure.

At present it is unclear exactly what is meant by disclosing the "impact" of material legacies recognised in the accounts prior to receipt and therefore this could lead to a wide disparity between charity accounts in terms of the quality of disclosure. Whilst this requirement could certainly be considered useful and could provide additional meaning and context to the nature of legacies, further clarification over what would be considered adequate is needed (i.e. is the expectation simply that the value is disclosed or should additional information explaining the nature of legacies and what leads to a timing difference in recognition and receipt be helpful context).

In addition, 5.89 explains that legacies can only be recognised when it is probable that the legacy will be received and that it can be reliably measured. Whilst this might mean that a legacy is therefore recognised ahead of receipt (DR legacy debtor, CR income), there may be uncertainty around the timing of receipt (given the delays with probate processing). Charities would need to review forecast discounted cash flows in order to reliably measure the expected income, however, this may be impacted by long delays, and may mean that the balance is ultimately not able to be 'reliably measured.' SORP should consider additional guidance where the timing of receipt is uncertain.

**Question 14: Do you have any other comments on module 1 and the proposals for the Trustees' Annual Report?**

1.42 suggests that a charity without reserves is unlikely to be a going concern, however the requirement to 'pay its debts as they fall due' is a cash flow matter, rather than a reserves matter. Whilst reserves is an important factor within the going concern assessment, we would expect 1.42 and 1.43 to go further in assisting charities in key considerations for their going concern assessment, rather than focusing purely on reserves.

Furthermore, there is no requirement in FRS 102 regarding narrative reporting on going concern (an assessment and explanation is required but this is usually included within the accounting policies or basis of preparation note.). It appears that this SORP goes further than the standard which may draw inconsistency of reporting.

**Question 15: Is the example table helpful?**

Yes

**Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)**

*No Response*

**Question 16: Do you have any other comments on module 4?**

It is not clear if charities reporting on the natural basis have to include a support cost breakdown in the notes, or if this should appear on the face of the SOFA as its own classification. Whilst paragraph 4.62 suggests that this is required for entities reporting on an activity basis, we would expect support costs to be detailed for all organisations given that this is an important area of expenditure for charities, and to allow comparisons across organisations.

**Question 17: Does the module explain the relevant requirements of the five-step model in FRS 102 in a clear and understandable way?**

Yes

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

Generally speaking, the layout is clear for users to be able to understand the core elements of the five steps. The inclusion of paragraph references for FRS 102 is also helpful, but the placement of the references means that it is unclear whether the paragraph references relate to the information above or below. It would be suggested that the references are more clearly marked for this purpose.

Question 18: Do you find the module easy to navigate as drafted?

No

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

The section would benefit from additional clearer headings for each of the steps in the 5-step model, so that users can go directly to the part of the SORP that they need to use. At present paragraphs 5.13 – 5.46 detail all of the steps and it isn't clear where the explanation of each step begins

Question 19: Do you consider that the guidance on exchange and non-exchange transactions should be set out in separate modules of the SORP rather than separate sections of the same module?

No

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

It is appropriate to keep all elements of income within one module for both ease of reference to all aspects of income and comparability to the extant SORP. This aids navigation as users of the SORP will be more familiar with the format given its similarity in structure to the extant SORP and will provide a "one stop shop" for determining the classification and recognition of income with the financial statements. Disaggregating the types of income transactions with references to multiple modules will add an unnecessary complexity to determining the appropriate classification and accounting treatment of income transactions.

Question 20: In the Exposure Draft SORP, all the disclosure requirements are listed at the end of the module. Would it be clearer instead to set out the relevant disclosures at the end of each section within the module?

Yes

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

Alternatively, if the final document includes hyperlinks, all disclosure requirements could be included at the end of the module, but with a link to the relevant disclosures at the end of each section.

Question 21: Do you consider this clarification a helpful addition to the SORP?

Yes

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

*No Response*

Question 22: Does the module set out the accounting requirements for legacy income clearly?

Yes



Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

It is helpful to see the requirement of 'entitlement' removed, bringing the SORP in line with FRS 102 section 34.

**Question 23: Accounting for legacies can be a complex area for charities to navigate. Is there a need for further guidance on this topic outside of the SORP?**

No

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

*No Response*

**Question 24: Do you have any other comments on module 5?**

FRS 102.23.80 clarifies that a service can also be an 'asset' in the context of assessing the transfer of control. It would be helpful if the SORP emphasised this in the context of charities as service providers who may consider that they do not have an asset in this context.

5.52 and 5.54 may benefit from including examples of what methods can be used to measure progress which are specific to charities, for example care service delivered on a time elapsed basis, or the provision of aid on a units delivered basis.

Contract asset is referred to within the disclosures section but is not defined within the section, nor emboldened and so the definition within the glossary is not appropriately signposted within the module. This is also inconsistent with the manner in which contract liabilities are referred to, as these are clearly defined in the disclosure requirements within paragraph 5.114.

**Question 25: Do you find the module easy to navigate as drafted?**

Yes

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

*No Response*

**Question 26: Does the module explain the relevant requirements of FRS 102 in a clear and understandable way? Please select all options that apply.**

No - do not understand disclosure requirements

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

Whilst some examples of what may or may not constitute a low value asset is included (lifted from FRS 102), the concept is not clear within the context of charities. As this is an area that we anticipate a number of charities will likely look to try and apply where relevant, provision of more guidance on what is appropriately considered a 'low value' assets within the sector may provide clarity for accounts preparers.

**Question 27: Does the section (paragraphs 10B.68 to 10B.84) on arrangements that are significantly below market value provide clarity on how to account for such arrangements?**

Yes

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

It is useful to disaggregate between nominal / peppercorn arrangements and social donation leases as these are different in nature and will therefore require different approaches and considerations. The use of prompting questions in paragraph 10B.76 is also useful as this enables charities to more effectively consider and assess the value being provided through the arrangement. In addition, the example included in Table 9A provides useful context to the potential accounting treatment for social donation leases and will enable charities to more easily determine the type of incoming resource arising from such an arrangement.

Question 28: Are the additional disclosure requirements set out in paragraphs 10B.95 and 10B.129 reasonable for charities with such arrangements?

Yes

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

*No Response*

Question 29 - please provide any other comments you have on module 10B:

*No Response*

Question 30: Do you agree with the proposal in the Exposure Draft SORP that only tier 1 and tier 2 charities, that do not meet the small entity threshold, and all tier 3 charities are required to prepare a statement of cash flows?

Yes

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

*No Response*

Question 31: Do you have any other comments on module 14?

Paragraph 14.7 suggests that charities may choose a columnar format to display un/restricted cash flows for different funds. This is a change from the current SORP which does not allow this. We are not aware that this is an area that many charities choose to report on so agree that this would be a voluntary disclosure. A total column would also be required to allow comparison with other organisations and consistency across the sector. We also suggest that consideration is given to an example format to guide any charities who would consider this presentation choice.

Question 32: Do you agree that the additional disclosures are helpful?

Yes

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

We agree that these disclosures are helpful, however we consider that some narrative disclosure or explanation should be included as to why the trustees have chosen to make an investment with a negative or uncertain financial return. Whilst we understand the legal power to make this choice, users of the annual accounts may benefit from an explanation of this decision, especially when other investment options produce better returns. It is not clearly set out how "uncertain financial return" is defined in respect of determining which social investments are relevant to the disclosures set out in paragraph 20.14 and therefore, whilst it is useful to help align the permissions set out in section 104A(2) of the Charities Act 2022, there is insufficient explanation or guidance within the SORP to enable charities to be able to provide the relevant disclosures. Without appropriate guidance on what would constitute an investment with an uncertain financial return this would then create disparity and inconsistency in disclosures from entity to entity.

**Question 33: Do you agree that the additional disclosures are proportionate?**

No

**Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)**

It is unclear what additional value such disclosures would add, particularly to those organisations that fall within the tier 1 category. With the lack of available clarification on what constitutes an uncertain financial return, this can therefore create a risk of requiring disproportionate effort for smaller charities in complying with the requirements in paragraph 20.14.

**Question 34: Do you have any other comments on module 20?**

*No Response*

**Question 35: Do you agree with the new approach to using the generic term 'social investments' instead of referring to 'programme related' and 'mixed motive' investments?**

Yes

**Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)**

*No Response*

**Question 36: Do you agree that the simplification of how gains and losses on social investments are reported is beneficial?**

No

**Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)**

Previously, impairment losses in relation to social investments were included within 'expenditure on charitable activities' and gains on disposal were included within 'other income.' Including gains/losses on social investments within the 'gain and losses on investments' line is slightly misleading, as usually this line item reflects changes in fair value. In addition, it may give rise to the need for additional note explanations as the line may include gains/losses from other investments (i.e. not purely social investments). As social investments are broadly considered to be part of the ongoing charitable activities of the organisation, we would expect any balances relating to these investments to be included within the income and expenditure lines of the SOFA. It is not clear why the SORP has introduced this change – the basis of conclusions (B.99) suggests this is a simplification, but actually because of the different nature of these investment they are justifiably disclosed separately under the current SORP as so we would not support this change. Significant changes in social investment values could be masked by fair value movements of other investments.

For gains on disposal of PPE, this would be included within other income as per SORP 1.44 so there is some inconsistency with how disposal of fixed assets is recognised if this proposed change is made.

**Question 37: Is the Exposure Draft SORP clear on the requirements for comparative figures and disclosures?**

Yes

**Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)**

*No Response*

**Question 38: Do you think there is a need for further guidance on the treatment of comparative figures and disclosures in this area?**

Yes

**Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)**

It is not clear how the comparative should be made using different headings. A short example may be beneficial. There is no guidance or information beyond the cursory sentence included within paragraph 21.6 and so further information is certainly needed if aggregation is to be the preferred approach to categorising social investments going forwards.

**Question 39: Do you have any other comments on module 21?**

Paragraph 21.15 might benefit from a reference to FRS 102 section 16, investment property.

The section on land and buildings is not clear on how the assets would be subsequently measured (i.e. at cost or revaluation basis). It should be clear what methods can be used to value property held as social investment.

Paragraph 21.27 refers to the failure of an investment to contribute to a charity's purposes as "temporary", but it is unclear what this means in practice. If a charity holds a long-term investment, a temporary reduction in contribution could be over a number of months or years. So additional guidance as to the judgment around "temporary" would be beneficial.

**Question 40: Do you agree that the drafting, structure and proposals in the Exposure Draft SORP support the needs of smaller charities whilst addressing the needs of users of charity reports and accounts?**

Yes

**Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)**

For the most part this appears to take into account the differing levels of complexity that may be found in charities of varying size. Generally speaking, charities can be grouped into three tiers, with the majority of organisations sitting within the middle tier. However, some of the specific requirements being retained for these smaller charities within tier 1 appear to not only be adding (rather than taking away) from the reporting burden, but where new requirements have been added there is a lack of guidance. This is seen in the reserves reporting requirements which appear to be very in-depth for smaller charities, or with respect to sustainability reporting which gives limited guidance. Disclosure of certain items (for example, within the Trustees Report) is "recommended" or "should" be included, but without an appropriate level of guidance or good practice, this risks creating confusion, disparity and inconsistency in these disclosures. For example, we can see this for the overview of the annual report (1.5), activities and objectives (1.23), volunteers (1.27) and sustainability reporting (1.60).

**Question 41: Do you agree with the SORP-making body's decision to continue to disallow the application of Section 1A?**

Yes

**Please provide reasons for your answer or suggestions on how you think Section 1A could be applied differently: (250 word limit applies)**

Whilst we agree with this in principle, further explanation is required in the SORP. It remains inconsistent that an organisation could be a small charity (i.e. reporting under tier 2) but not a small company. It is not clear in paragraph 5 why section 1A is not permitted. We suggest that this explanation is expanded and included within section 1 of the SORP (as at present, it is included within the opening introductory paragraphs which may be overlooked).

**Question 42: Do you have any other comments on the Exposure Draft SORP?**

It is not clear why this SORP review has not taken the opportunity to allow the accrual method for recognition of government grants. This is inconsistent with both FRS 102 and the education SORP.

The SORP is very long – more than 80 pages longer than the existing SORP, and significantly larger than the education SORP. A very clear contents/index with links will be required to make this SORP more user-friendly.

The final sentence of paragraph 5.103 appears to suggest that board decision taken before the reporting date leads to a legal obligation. The sentence is incorrect and should be amended to clarify that a board minute alone, made at any point, is insufficient to create a legal obligation, and that only a deed of covenant or similar (made before, or after the year end) can create such a legal obligation.