

Selection 2: Accounting for special types of assets held

18. Accounting for heritage assets

Introduction

18.1. The reporting tiers applied for module 18 are as specified in the table below.

Table 18.1A: Tiered reporting requirements for module 18

All tiers	The requirements in this module apply fully to all charities holding heritage assets.
-----------	---

18.2. This module sets out: Charities holding heritage assets should refer to Section 34 of FRS 102.

18.3. This module sets out:

- [Definition of a heritage asset](#)
- [Presentation, recognition and measurement of heritage assets on the balance sheet](#)
- [How to measure heritage assets that have been purchased](#)
- [How to measure heritage assets that have been donated](#)
- [Depreciation and impairment of heritage assets](#)
- [Accounting treatment for heritage assets recognised on the balance sheet](#)
- [Disclosures required for all charities holding heritage assets](#)
- [Disclosure of heritage assets recognised on the balance sheet](#)
- [Disclosure of heritage assets not recognised on the balance sheet](#)
- [Disclosure of a five-year summary of transactions](#)

Definition of a heritage asset

18.4. A heritage asset is a tangible 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.

18.5. An asset may have the attributes of a heritage asset, for example it may be of historic or artistic importance, but unless it is also held and maintained principally for its contribution to knowledge and culture then it will not fall within the definition of a heritage asset.

18.6. Assets with heritage attributes may be used operationally for purposes unconnected with the promotion of knowledge and culture or even held as investments. In such instances, the asset is accounted for within tangible fixed

assets or investments/investment properties as appropriate. In determining whether an asset is a heritage asset, the charity must use its judgement to assess the characteristics of the asset and whether it is held and maintained principally for its contribution to knowledge and culture.

For example:

- A historic building used by an educational establishment for teaching would not be accounted for as a heritage asset because it is held to provide a facility for teaching rather than the building itself contributing to knowledge and culture.
- In the case of a museum or gallery, it is the collections held, and not the buildings or display cases that house them, that will be treated as heritage assets unless the structures themselves also have the attributes of a heritage asset and are held principally for their contribution to knowledge and culture.
- Works of art or historic buildings principally held for investment purposes are categorised as investments/investment properties, as they are held for investment gain, capital appreciation or for income generation rather than for their contribution to knowledge and culture.

18.7. Similarly, a requirement to hold and maintain an asset, for example as an endowment, does not mean that asset is held for its contribution to knowledge and culture. For example, an inalienable building or painting, which must be retained indefinitely by a charity due to the terms of a donation, is not a heritage asset unless it meets the definition of a heritage asset.

18.8. However, a heritage asset used incidentally for operational purposes unconnected with the promotion of knowledge and culture may still fall within the definition of a heritage asset. For example, a historic building incidentally used for service or administrative activities by a charity, but principally held and maintained for its contribution to knowledge and culture, is accounted for as a heritage asset.

18.9. Although a heritage asset is normally tangible, it is possible for it to be intangible. For example, a library of digital recordings or film rights can be a heritage asset if it is held for its contribution to knowledge and culture.

18.10. Heritage assets may include abbeys, monasteries, cathedrals and historic churches and monuments where a contribution to knowledge and culture is associated to faith or other purposes.

18.11. Similarly, the artefacts contained within, or associated with, such assets may also be heritage assets. For example, associated artefacts could include religious artefacts contained within a cathedral or historic church.

18.12. Charities that do not have preservation or conservation purposes must account for an asset as a heritage asset only if that asset:

- has historic, artistic, scientific, technological, geophysical or environmental qualities

- is held and maintained principally for its contribution to knowledge and culture
- is accessible to the public for viewing and/or research

Presentation, recognition and measurement of heritage assets on the balance sheet

- 18.13. Heritage assets must be presented as an asset on a charity's balance sheet separately from other assets. Heritage assets are presented as a separate class of fixed asset on the balance sheet and should be measured initially at either their cost or, if donated, at fair value.
- 18.14. A charity shall recognise and measure heritage assets in accordance with SORP modules 10 and 10B as appropriate, subject to the requirements set out in paragraph 18.17.
- 18.15. When, for whatever reason, a charity is measuring a heritage asset at fair value, the charity may adopt any reliable valuation method to estimate the asset's fair value. For example, for some heritage buildings, the use of market value may provide a reasonable approach; in other cases, the use of depreciated replacement cost may be appropriate. However, depreciated replacement cost may not be an appropriate method where a building cannot be replicated using modern building methods or where the value of the original asset lies in its unique historic or heritage qualities. The valuation method adopted must be applied to all assets within a particular class, or to a group of similar assets.

How to measure heritage assets that have been purchased

- 18.16. When a heritage asset is purchased, its cost of acquisition will be known and therefore the asset must be measured initially at this amount. Should the acquisition be by way of an exchange of assets, the cost of acquisition is represented by the carrying amount of the asset exchanged and any cash settlement made or payable at the date the charity assumed legal title or control of the acquired asset. A heritage asset that is measured initially at its cost may be subsequently carried at a valuation where a charity adopts a policy of carrying its heritage assets (or group of heritage assets) at valuation. There is no prescribed minimum period between valuations. However, if the valuation model is adopted, the carrying amount of the asset should be reviewed with sufficient frequency to ensure that the valuations remain current.

How to measure heritage assets that have been donated

- 18.17. Heritage assets which have been acquired by way of donation or other form of non-exchange transaction must be measured initially at their fair value. Fair value can often be estimated by reference to recent market transactions or binding sale

agreements, and in accordance with Section 2A of FRS 102. Fair value may be determined by the appraisal of market-based evidence by trustees or staff who have relevant skills, knowledge and experience, or by a professionally qualified valuer. Where no market-based evidence exists, depreciated replacement cost may be used to estimate the fair value of certain properties held as heritage assets.

- 18.18. If, in exceptional cases, the fair value of the heritage asset cannot be measured reliably at a cost which is commensurate with the benefits to users of the financial statements, the heritage asset shall not be recognised in the accounts, but must be disclosed in accordance with the requirements at paragraph 18.26 below.

Depreciation and impairment of heritage assets

- 18.19. A heritage asset must be depreciated over its useful economic life. However, certain heritage assets may have indefinite lives and are therefore not depreciated. In either case, a charity must consider SORP module 12 '*Impairment of assets*', to determine whether a heritage asset is impaired and to account for any impairment loss identified. Impairment may be due to physical deterioration, breakage, new evidence giving rise to doubts as to its authenticity, or other factors.

Accounting treatment for heritage assets recognised on the balance sheet

- 18.20. When heritage assets are recognised on the balance sheet, a charity must:

- present heritage assets as a separate class of fixed asset on the balance sheet
- provide an analysis, in the notes to the accounts, of those classes or groups of heritage assets reported at cost and those reported at valuation
- include the value placed on any heritage asset gifted to the charity in the 'income from donations and legacies' heading in the statement of financial activities (SoFA) and allocate that income to a restricted fund when the use of the asset is restricted
- recognise any change in the valuation of a heritage asset as a 'gain or loss on revaluation of fixed assets' in the SoFA
- recognise any gain on the disposal of a heritage asset as 'other income' in the SoFA
- recognise any loss on disposal, depreciation or impairment of a heritage asset as a cost of charitable activities in the SoFA

Where heritage assets are held by the lessee as a right of use asset, these must be shown separately with the disclosures above.

Disclosures required for all charities holding heritage assets

18.21. All charities must disclose the following for all heritage assets held:

- an indication of the nature and scale of heritage assets held
- the policy for the acquisition, preservation, management and disposal of heritage assets (including a description of the records maintained by the charity of its collection of heritage assets, and information on the extent to which access to the assets is permitted)
- the accounting policies adopted for heritage assets, including details of the measurement bases used

18.22. The above notes should be brief but sufficiently informative. Charities providing further information on these matters in the trustees' annual report should include a cross reference to the annual report in the notes.

18.23. The disclosures relating to heritage assets can be aggregated for groups or classes of heritage assets provided that this does not obscure significant information.

Disclosure of heritage assets recognised on the balance sheet

18.24. When heritage assets are recognised on the balance sheet, all charities must disclose:

- the carrying amount of heritage assets by class or group both at the beginning of the reporting period and at the reporting date, distinguishing between classes or groups of heritage assets recognised at cost and those recognised at valuation at the reporting date
- where assets are recognised at valuation, sufficient information to assist in understanding the valuation being recognised (date of valuation, method used, whether carried out by external valuers and, if so, their qualifications, and any significant limitations on the valuation)

Where heritage assets are held by the lessee as a right of use asset these must be shown separately with the disclosures above. A right of use heritage asset is not expected to be common.

18.25. Charities must present a reconciliation of the movements between the opening and closing carrying amount(s) in the balance sheet for heritage assets. This information may be presented in a tabular format (see Table 17).

Table 17: Analysis of heritage assets

Basis of capitalisation	At valuation Group A	At cost Group B	Total
	£	£	£
Carrying amount at beginning of the reporting period	X	X	X
Additions	X	X	X
Disposals	(X)	(X)	(X)
Depreciation/impairment	(X)	(X)	(X)
Revaluation	X	-	X
Carrying amount at reporting date	X	X	X

Disclosure of heritage assets not recognised on the balance sheet

18.26. When heritage assets have not been recognised in the balance sheet, charities must:

- explain the reasons why
- describe the significance and nature of those assets
- disclose information that is helpful in assessing the value of those assets

18.27. If, in exceptional circumstances, a heritage asset acquired during the reporting period in a non-exchange transaction, e.g. by donation, has not been recognised because its fair value cannot be measured reliably, an entity shall state for what reason its fair value cannot be measured reliably. This disclosure can be aggregated for groups or classes of heritage assets, provided this does not obscure significant information.

Disclosure of a five-year summary of transactions

18.28. All charities must provide a summary of transactions relating to heritage assets for the reporting period, and for each of the previous four reporting periods, disclosing:

- the cost of acquisition of heritage assets
- the value of heritage assets acquired by donation
- the carrying amount of heritage assets disposed of in the period and the proceeds received
- any impairment recognised in the period
- any depreciation or amortisation recognised in the period

18.29. The summary must show separately those transactions that are included in the balance sheet and those that are not. Charities that have been operating for fewer than five years must provide information for such prior periods as are available. The required information may be presented in a tabular format (see Table 18).

18.30. When it is impracticable to do so, the disclosures required by paragraph 18.29 need not be given for more than one prior period, and a statement to the effect that it is impracticable shall be made.

Table 18: Summary analysis of heritage asset transactions

	2026	2025	2024	2023	2022
	£	£	£	£	£
Purchases					
Group A					
Group B					
Donations					
Group A					
Group B					
Total additions					
Charge for impairment					
Group A					
Group B					
Total charge for impairment					
Disposals					
Group A: carrying amount					
Group B: carrying amount					
Total disposals					
Proceeds from disposals					
Group A: sale proceeds					
Group B: sale proceeds					
Total sale proceeds					