

REGISTERED CHARITY NUMBER: SC 022180

**REPORT OF THE TRUSTEES AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 OCTOBER 2012
FOR**

**SCOTTISH EPISCOPAL CHURCH
DIOCESE OF ABERDEEN AND ORKNEY**

Johnston Carmichael LLP
Chartered Accountants and Registered Auditors
16 Carden Place
Aberdeen
AB10 1FX

**SCOTTISH EPISCOPAL CHURCH
DIOCESE OF ABERDEEN AND ORKNEY**

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FOR THE YEAR ENDED 31 OCTOBER 2012**

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**SCOTTISH EPISCOPAL CHURCH
DIOCESE OF ABERDEEN AND ORKNEY**

**REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 OCTOBER 2012**

The trustees present their report with the financial statements of the charity for the year ended 31 October 2012. The trustees have adopted the provisions of the Statement of Recommended Practice (SORP) 'Accounting and Reporting by Charities' issued in March 2005.

REFERENCE AND ADMINISTRATIVE DETAILS

Registered Charity number

SC 022180

Principal address

Diocesan Office
St Clement's Church House
Mastrick Drive
ABERDEEN
AB16 6UF

**SCOTTISH EPISCOPAL CHURCH
DIOCESE OF ABERDEEN AND ORKNEY**

**REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 OCTOBER 2012**

REFERENCE AND ADMINISTRATIVE DETAILS

Trustees

Charity Trustees (the "Standing Committee")

The Right Rev Dr Robert A Gillies	Ex-officio: Bishop
The Very Rev Dr A Emsley Nimmo	Ex-officio: Dean
The Rev Canon John B Walker	Ex-officio: Convenor, Mission and Ministry Board
Mr Peter Murray	Ex-officio: Registrar
Dr Lorraine Paisey	Ex-officio: Honorary Diocesan Treasurer
Mr John Whittall	Ex-officio: Honorary Diocesan Secretary
Miss Mary Allardyce	Elected by Synod
Rev Prof David Atkinson	Elected by Synod
Mr David R Crosley	Elected by Synod
Dr Hugh Dawson	Elected by Synod
Miss Audrey Masson	Elected by Synod

Trustees for the Diocesan Synod (the "Property Trustees")

The Right Rev Dr Robert A Gillies	Bishop
The Very Rev Dr A Emsley Nimmo	Dean
The Rev Canon John B Walker	Synod Clerk
Mr Peter Murray	Registrar
Mr Graham Robertson	Chancellor

Finance & Property Board

Convenor	Dr Lorraine Paisey
Ex Officio	Bishop
	Dean
	Registrar
	Honorary Treasurer
	Diocesan Representative to the Provincial Finance Committee
Elected by Synod	Miss Mary Allardyce
	Mr John MacCormack
	Mr John Whittall
	Rev Richard N O'Sullivan
	Very Rev Dr A Emsley Nimmo

**Diocesan Representative to the
Provincial Finance Committee**

Mr John Whittall

Honorary Diocesan Treasurer

Dr Lorraine Paisey

Honorary Diocesan Secretary

Mr John Whittall

Assistant Treasurer

Mr Ian S Fraser

**SCOTTISH EPISCOPAL CHURCH
DIOCESE OF ABERDEEN AND ORKNEY**

**REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 OCTOBER 2012**

REFERENCE AND ADMINISTRATIVE DETAILS

Auditors

Johnston Carmichael LLP
Chartered Accountants and Registered Auditors
16 Carden Place
Aberdeen
AB10 1FX

Solicitors

Ledingham Chalmers LLP
Johnstone House
52-54 Rose Street
Aberdeen
AB10 1HA

Bankers

Clydesdale Bank plc
Aberdeen

Stockbrokers

Brewin Dolphin
Aberdeen

STRUCTURE, GOVERNANCE AND MANAGEMENT

Governing document

The Diocese of Aberdeen and the Diocese of Orkney were incorporated by long usage into the Scottish Episcopal Church in 1690 and became united in 1865 under the name, style and title of the United Diocese of Aberdeen and Orkney.

The parent organisation of the Diocese of Aberdeen and Orkney is The General Synod of the Scottish Episcopal Church. There are seven Dioceses of the Scottish Episcopal Church. The General Synod and the seven Dioceses are separate registered charities.

The Diocese is constituted under, and governed by, the Canons of the Scottish Episcopal Church. The day-to-day operation of the Diocese has been conducted under the Governing Regulations (of the Synod of the United Diocese of Aberdeen and Orkney) since 3 March, 2012: when the Constitution of the Synod of the Diocese of 2001 was repealed and the new document proposed, seconded and passed. The Governing Regulations were approved, confirmed and ratified by the Bishop on 14 May, 2012. For convenience, they are referred to as "The Diocesan Constitution 2012".

**SCOTTISH EPISCOPAL CHURCH
DIOCESE OF ABERDEEN AND ORKNEY**

**REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 OCTOBER 2012**

STRUCTURE, GOVERNANCE AND MANAGEMENT

Recruitment and appointment of new trustees

All Diocesan (Property) Trustees hold office ex officio, according to the provisions of the Digest of Resolutions of the General Synod, Resolution 7.1.3. There were no changes of personnel in the period covered by this report.

During the year, the implementation of The Diocesan Constitution 2012 established the Standing Committee as the Diocese's Charity Trustees. Prior to 3 March, 2012, the Diocesan (Property) Trustees were held to be the Charity Trustees. Six members of the Standing Committee are ex-officiis; five were elected by Synod. Four members of the Standing Committee are, also, Diocesan (Property) Trustees.

Induction and training of new trustees

The Charity Trustees have confidence in the experience and ability of the trustees to administer the activities of the Diocese. Induction and training will be considered on an ongoing basis, particularly in the event of a new trustee being elected or appointed.

Organisational structure

The Finance and Property Committee - renamed Finance & Property Board in the Diocesan Constitution 2012 - has responsibility for the general administration of the Diocesan finances. There were no changes of personnel in the period covered by this report. The day-to-day records are maintained by Mr Ian Fraser, Assistant Treasurer.

Risk management

The Trustees have examined the major strategic, business and operational risks which the Diocese faces and confirm that systems have been established to enable regular reports to be produced so that the necessary steps can be taken to lessen these risks.

OBJECTIVES AND ACTIVITIES

Objectives and aims

The aim of the Diocese is to provide leadership, encouragement, guidance, training and counsel to clergy and congregations: to enable them to maximise the effectiveness of their mission to their local communities through provision of Christian worship and pastoral support. The Diocese's formal objective, as approved by the Office of the Scottish Charity Regulator (OSCR), is "the advancement of religion".

The main financial activities of the Diocese throughout the year were the support of the Charges (churches and congregations) by stipend support and other grants from the Province and the Diocese, the provision of financial assistance to clergy and lay persons for their training and development, and the pursuance of mission projects in areas of growth potential.

**SCOTTISH EPISCOPAL CHURCH
DIOCESE OF ABERDEEN AND ORKNEY**

**REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 OCTOBER 2012**

ACHIEVEMENT AND PERFORMANCE

Charitable activities

The Bishop reports:

The year has seen a number of clergy either retire or move to other positions. This has put extra demands on the remaining clergy and lay readers in order to maintain the pastoral and liturgical provision that congregations rightly expect. I am most grateful to everyone who has helped with this and gone more than the extra mile to respond.

I am proud to be able to say, in addition, that we have a stock of clergy and lay readers in this diocese who play at the top of their game. I do this because I am genuinely and truly glad to be associated with every one of them.

From time to time I hear bishops in other dioceses, speaking of the sort of complaints they get from congregations. I count myself blessed - and I know that God's blessing is on this diocese - for I receive very few complaints and what I do receive always seems easy to respond to or resolve.

I am heartened beyond measure by the energy that is there in our congregations. Yes, I know there are diminishing numbers in some quarters but there is significant growth in others. Across the diocese there is an almost universal recognition that change is necessary if our churches and communities are to adapt and retain that growth. Churches that won't change, or don't see the need to change, increasingly look inward and will never grow either outwardly, or numerically, or in depth and quality of faith.

Teaching

A traditional role of the bishop is that of teaching. It's been a personal privilege to have led teaching in Ballater, New Pitsligo and Cruden Bay on intercession. The attendance at each has staggered me. It is undoubtedly clear that there is a hunger for prayer in our churches and I urge our clergy and lay readers to rise to the opportunity to meet that need.

Teaching on church growth (using material developed for the Mission21 programme) has taken place within the congregations at Aboyne and St Machar's Bucksburn. In each place I found lay people just ready and bursting with the desire to grow in faith personally and to adapt and change accordingly within the life of their respective congregations. This is really heartening. The important task is to follow this teaching with genuine action that changes things on the ground and in the faith of believers.

In the Province and Overseas

A bishop is charged with the task of representing the church beyond the diocese. At Provincial level I have taken my place within the boards and committees of our church and have played my full part within the corporate responsibilities of the College of Bishops. The College works well and productively.

I accepted two (externally funded) invitations for overseas travel. In Holy Week, St Thomas's, 5th Avenue, New York, invited me to preach at their Maundy Thursday Eucharist and Foot Washing and then to deliver seven addresses. The addresses should be published in time for Lent 2014.

The other invitation was to lead a retreat for deacons and preach at their ordination in a remote area of north east Uganda. This too was quite a remarkable privilege. A report of this trip is on the Diocesan website.

**SCOTTISH EPISCOPAL CHURCH
DIOCESE OF ABERDEEN AND ORKNEY**

**REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 OCTOBER 2012**

ACHIEVEMENT AND PERFORMANCE

Charitable activities

People

In the last few years we have made a number of significant cost savings in the office mainly through increased use of computer and other IT technology. None of this, however, has diminished the personal touch my immediate colleagues in the Diocesan Office, Avril Scott and Ian Fraser, have continued to provide with diligence and enthusiasm.

I am pleased to report that our archive, courtesy of Stuart Donald and his team of volunteers, is in just about the best form it has ever been in. Stuart's care of our records is something of which the Diocese can be justly proud.

Mary McKinnell, our IT consultant, has generated vigour and enthusiasm into our diocesan website and has made it the envy of numerous others. Too many of our congregations are not IT literate. In this day and age it is necessary that we are and Mary will work with them to develop new websites.

I also owe a huge debt of gratitude to Emsley, our Dean. His wise counsel to me is always to the point and never out of place or disquieting. His long ministry in the diocese and his knowledge of everything north eastern gives him an encyclopaedic breadth that is majestic.

Mission

Mission has been the single thrust of my time amongst you. This year the Standing Committee bravely decided to commit funding to mission by raising quota. Three key activities were identified and specialists were contracted to assist in the areas of weakness: IT; Youth; Children and Families.

We are also committed to work amongst those with social disadvantage. So, we are resourcing ministry and mission in the two areas of urban deprivation where we have churches in Aberdeen: Seaton and Mastrick. Both congregations are in good heart, are deepening in faith, enriching in new members.

The diocese is also supporting Gerry and Jo Bowyer. Gerry pioneered Street Pastor ministry in Aberdeen. From the moment it began, street crime in central Aberdeen dropped markedly on Friday and Saturday nights. Members of congregations, not just Episcopal, came to be trained as Street Pastors. The work they do is one of the most significant recent developments in ecumenical linking between our church and other denominations.

Jo Bowyer is leading a development of Street Pastors into what is called 'School Pastors'. This is being scoped in one of Aberdeen's High Schools: involving intensive work with disadvantaged young people.

In addition to all this we must never forget that we already have much that is being done in each of our churches in the area of new mission as well as in traditional ministry.

Training

Sadly there were no Lay Readers or Ordinands beginning training this year. That means our training opportunities as a diocese are currently for lay training and Continuing Ministerial Development (CMD) for clergy and lay readers.

CMD half-day events for clergy and lay readers in Scotland are well received. This year they have been supplemented by five sessions on training within the area of Protection of Vulnerable Groups.

**SCOTTISH EPISCOPAL CHURCH
DIOCESE OF ABERDEEN AND ORKNEY**

**REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 OCTOBER 2012**

ACHIEVEMENT AND PERFORMANCE

Charitable activities

Such training is fundamental if we are to look after the vulnerable young and old in our congregations.

Rolling out Mission ...

We are now almost at the end of the sequence of day conferences for small charges. As I write only Orkney remains to be covered. Issues and challenges as well as opportunities and developments have arisen as a consequence of these events. The crucial thing is to keep the momentum going.

**SCOTTISH EPISCOPAL CHURCH
DIOCESE OF ABERDEEN AND ORKNEY**

**REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 OCTOBER 2012**

FINANCIAL REVIEW

Treasurer's report

The incoming resources to the Diocese show a significant increase over last year, with all main sources of income - donations and grants, investment income and quota - increasing, bar investment income. Quota has risen by 3.8%, in accordance with the increases agreed at Provincial and Diocesan level. Grant support from both the Province and NHS Grampian has fallen marginally, but this is more than offset by significantly larger grant support from the Dr John Anderson trust and Allchurches Trust. Donations received have almost doubled, from £43,000 (including £13,000 from the Church Army) to £83,000, but this includes a one-off transfer of restricted funds previously held by the Province. Dividend income has fallen from £56,000 to £54,000, representing a yield of 4.1% of the market value of the Diocese' investments (2011: 4.5%). At the same time, investment management costs have increased.

In contrast, the main areas of regular expenditure have dropped, with grants payable showing the largest percentage decrease. However, this is more than offset by an exceptional item - the final payment of £17,000 for refurbishment costs at St Clement's. It should be noted that exceptional costs of £107,000 were incurred in 2010/11 relating to the transfer of the Westhill Rectory: these were not separately disclosed. The most meaningful comparator is therefore with both those items and the one-off income from the Province excluded: resulting in a net ordinary deficit of £31,000 for 2011/12 compared with a net ordinary deficit of £37,000 in 2010/11.

The Diocese shows a surplus on sale / revaluation of assets - this is largely due to revaluation of investments at the year end.

The Diocese has net assets of £2.33 million. 28% of these are held in heritable property. The Finance and Property Committee carried out a balance sheet review as part of the quota setting process, and concluded that although there is no short term prospect of liquidating any of these assets the position should be held under review as these assets do not generate income. Although they may be considered to contribute towards the mission endeavour of the Diocese, it is important that an assessment of the financially most advantageous use of funds to support mission is made from time to time.

The financial strategy of the Diocese remains to balance fiscal prudence with recognised mission needs. This has been reflected in the budget setting process for 2012/13 onwards.

TRUST FUNDS

The Diocese is extremely fortunate in having the support of the Dr John Anderson Trust, to which application can be made for assistance with a specific project or objective, and without whose help such activities might have to be curtailed, delayed or abandoned. The fund is administered by a firm of Solicitors in Aberdeen and whose income is derived from agricultural land in the Cruden Bay area. In the year to 31 October, 2012, the Diocese received grants of £13,250 (2011 - £22,000): £11,250 towards stipend support for five posts and £2,000 towards the Children and Family initiative.

In addition, the Diocese is grateful for support from the Allchurches Trust - the umbrella charitable organisation which derives its income from the Ecclesiastical Insurance Group - which gives an annual grant of £6,000 towards assisting charges which struggle to pay stipend.

RESERVES POLICY

It is the policy of the Diocese to maintain unrestricted reserves at a level sufficient to meet planned expenditure requirements for the next year. The Diocese has traditionally monitored that portion of unrestricted fund balance arising from accumulated surpluses and unrealised gains or losses on investments.

**SCOTTISH EPISCOPAL CHURCH
DIOCESE OF ABERDEEN AND ORKNEY**

**REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 OCTOBER 2012**

RESERVES POLICY (cont)

At the year end the net worth of the Diocese was £2.3 million of which £653,694 was held as tangible fixed assets.

The Trustees will continue to review its Reserves Policy, with the intention of restoring, over the longer term, previously attained levels. This is considered necessary as there is no provision for planned property renewal or major emergency repairs within the Diocesan budget.

As a result of the timing of grant payments, the Diocese carries forward balances at the year end on a number of Revenue funds which fall due to be disbursed shortly after the year end.

FUNDS

The Diocesan Fund (incorporating the Cruickshank and Gordon Funds)

The Cruickshank Fund was inaugurated in 1983 on the death of Mr J S R Cruickshank, Advocate in Aberdeen, and a former Chancellor of the Diocese. He bequeathed the bulk of his Estate to the Diocese without any conditions attached. The Gordon Fund came to the Diocese in 1990 as a bequest from the late Colonel F W Gordon with no stipulations as to its use or purpose. Following approval by Synod, the Gordon Fund was amalgamated with the Diocesan Fund on 1 November 2002 and the Cruickshank Fund amalgamated with that joint fund following the Diocesan Synod on 12 March 2011.

Restricted Funds

The Diocese benefits from funding left to the Diocese for specific purposes as prescribed by the donor. The main ongoing restricted fund is to support the Bishop's stipend. Funds raised by the Bishop's Lent Appeal each year are also held in a restricted fund for the purpose of that year's Lent Appeal.

Investment policy

All funds are invested in low-to-medium risk investments which comply with the ethical investment policy approved by the Diocesan Synod. The Trustees' objective is to maximise income and achieve a level of capital appreciation. The Trustees believe that this objective has been achieved in the current year as far as has been possible in the prevailing market conditions.

FUTURE DEVELOPMENTS

The Trustees will continue to support Charges in their mission and ministry.

The Trustees will continue to monitor the Diocesan budget and plan for the medium term - to achieve a balanced budget. The financial planning process will seek to balance affordability for the Diocese and for congregations with identified needs for investment for mission.

**SCOTTISH EPISCOPAL CHURCH
DIOCESE OF ABERDEEN AND ORKNEY**

**REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 OCTOBER 2012**

STATEMENT OF TRUSTEES RESPONSIBILITIES

The trustees are responsible for preparing the Report of the Trustees and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in Scotland, the Charities and Trustee Investment (Scotland) Act 2005, Charities Accounts (Scotland) Regulations 2006 and the provisions of the charity's constitution requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources, including the income and expenditure, of the charity for that period. In preparing those financial statements, the trustees are required to

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charity SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

The trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charity and to enable them to ensure that the financial statements comply with the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended) and the provisions of the charity's constitution. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the charity and financial information included on the charity's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

ON BEHALF OF THE BOARD:

The Right Rev Dr Robert A Gillies - Trustee

14 February 2013

**REPORT OF THE INDEPENDENT AUDITORS TO THE TRUSTEES OF
SCOTTISH EPISCOPAL CHURCH
DIOCESE OF ABERDEEN AND ORKNEY**

We have audited the financial statements of the Scottish Episcopal Church Diocese of Aberdeen and Orkney for the year ended 31 October 2012 which comprise the Statement of Financial Activities, the Balance Sheet and related notes. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

This report is made solely to the charity's trustees, as a body, in accordance with Section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the Statement of Trustees' Responsibilities set out on page 10, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditors under Section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with regulations made under that Act.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Trustees to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 October 2012 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

**REPORT OF THE INDEPENDENT AUDITORS TO THE TRUSTEES OF
SCOTTISH EPISCOPAL CHURCH
DIOCESE OF ABERDEEN AND ORKNEY**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

- the information given in the Report of the Trustees is inconsistent in any material respect with the financial statements ; or
- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Johnston Carmichael LLP

Chartered Accountants and Statutory Auditor

Johnston Carmichael LLP is eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006

16 Carden Place

Aberdeen

AB10 1FX

14 February 2013

**SCOTTISH EPISCOPAL CHURCH
DIOCESE OF ABERDEEN AND ORKNEY**

**STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31 OCTOBER 2012**

	Notes	Unrestricted funds £	Restricted funds £	2012 Total funds £	2011 Total funds £
INCOMING RESOURCES					
Incoming resources from generated funds					
Voluntary income	2	132,361	67,831	200,192	152,783
Investment income	3	53,666	4,204	57,870	58,693
Incoming resources from charitable activities					
Income from charges	4	165,665	-	165,665	159,518
Total incoming resources		351,692	72,035	423,727	370,994
RESOURCES EXPENDED					
Costs of generating funds					
Investment management costs	5	8,366	89	8,455	8,022
Charitable activities					
Grants payable	6	83,473	11,479	94,952	110,827
Costs directly attributable to activities		260,261	59,514	319,775	390,381
Governance costs	9	7,844	-	7,844	5,929
Total resources expended		359,944	71,082	431,026	515,159
NET INCOMING/(OUTGOING) RESOURCES before transfers					
		(8,252)	953	(7,299)	(144,165)
Gross transfers between funds	16	(50,642)	50,642	-	-
Net incoming/(outgoing) resources before other recognised gains and losses		(58,894)	51,595	(7,299)	(144,165)
Other recognised gains/losses					
Gains/losses on investment assets		53,826	2,228	56,054	(15,840)
Net movement in funds		(5,068)	53,823	48,755	(160,005)

The notes form part of these financial statements

**SCOTTISH EPISCOPAL CHURCH
DIOCESE OF ABERDEEN AND ORKNEY**

**STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31 OCTOBER 2012**

	Notes	Unrestricted funds £	Restricted funds £	2012 Total funds £	2011 Total funds £
RECONCILIATION OF FUNDS					
Total funds brought forward		2,196,483	85,548	2,282,031	2,442,036
		<hr/>	<hr/>	<hr/>	<hr/>
TOTAL FUNDS CARRIED FORWARD		<u>2,191,415</u>	<u>139,371</u>	<u>2,330,786</u>	<u>2,282,031</u>

The notes form part of these financial statements

**SCOTTISH EPISCOPAL CHURCH
DIOCESE OF ABERDEEN AND ORKNEY**

**BALANCE SHEET
AT 31 OCTOBER 2012**

	Notes	Unrestricted funds £	Restricted funds £	2012 Total funds £	2011 Total funds £
FIXED ASSETS					
Tangible assets	12	653,694	-	653,694	654,915
Investments	13	<u>1,208,546</u>	<u>102,929</u>	<u>1,311,475</u>	<u>1,223,810</u>
		1,862,240	102,929	1,965,169	1,878,725
CURRENT ASSETS					
Debtors	14	111,476	988	112,464	72,249
Cash at bank		<u>263,262</u>	<u>36,774</u>	<u>300,036</u>	<u>403,646</u>
		374,738	37,762	412,500	475,895
CREDITORS					
Amounts falling due within one year	15	(45,563)	(1,320)	(46,883)	(72,589)
		<u>329,175</u>	<u>36,442</u>	<u>365,617</u>	<u>403,306</u>
NET CURRENT ASSETS					
		<u>329,175</u>	<u>36,442</u>	<u>365,617</u>	<u>403,306</u>
TOTAL ASSETS LESS CURRENT LIABILITIES					
		<u>2,191,415</u>	<u>139,371</u>	<u>2,330,786</u>	<u>2,282,031</u>
NET ASSETS					
		<u>2,191,415</u>	<u>139,371</u>	<u>2,330,786</u>	<u>2,282,031</u>
FUNDS					
Unrestricted funds	16			2,191,415	2,196,483
Restricted funds				<u>139,371</u>	<u>85,548</u>
TOTAL FUNDS					
				<u>2,330,786</u>	<u>2,282,031</u>

The notes form part of these financial statements

**SCOTTISH EPISCOPAL CHURCH
DIOCESE OF ABERDEEN AND ORKNEY**

**BALANCE SHEET - CONTINUED
AT 31 OCTOBER 2012**

The financial statements were approved by the Board of Trustees on 14 February 2013 and were signed on its behalf by:

The Right Rev Dr Robert A Gillies -Trustee

The Very Rev Dr A Emsley Nimmo -Trustee

The notes form part of these financial statements

**SCOTTISH EPISCOPAL CHURCH
DIOCESE OF ABERDEEN AND ORKNEY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2012**

1. ACCOUNTING POLICIES

Accounting convention

The Accounts are prepared under the historical cost convention modified to the extent that the cost of fixed assets is the cost as borne by the Diocese, i.e. net of funding from other sources at the time of acquisition and by the revaluation of investments. The Accounts are prepared in accordance with the Statement of Recommended Practice - Accounting and Reporting by Charities (SORP 2005), the Financial Reporting Standard for Smaller Entities (effective April 2008), the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

Incoming resources

All incoming resources are included in the Statement of Financial Activities (SOFA) when the Diocese is entitled to the income and the amount can be quantified with reasonable accuracy.

- Voluntary income is received by way of donations, gifts and grants and is included in full in the Statement of Financial Activities when received.
- Dividends and other investment income are recognised when received.
- Quota payable by the charges to the Diocese is included when receivable.
- Other income is accounted for as it becomes receivable.
- Grants are received from Provincial and other funds for assistance with Ministry, property and other costs.

Deferred income represents amounts received for future periods and is released to incoming resources in the period for which it has been received.

Resources expended

Expenditure is accounted for on an accruals basis as a liability is incurred and includes irrecoverable VAT where applicable.

Costs of generating funds include amounts paid to the Investment Fund Managers for the management of the investment portfolio.

Charitable expenditure comprises those costs incurred by the Diocese in the delivery of its activities and services for its beneficiaries. Grants payable are grants awarded from the various funds to churches and individuals as appropriate. Grants offered subject to conditions which have not been met at the year end date are noted as a commitment but not accrued as expenditure.

Governance costs

Governance costs include those costs associated with meeting the constitutional and statutory requirements of the Diocese, including audit fees.

**SCOTTISH EPISCOPAL CHURCH
DIOCESE OF ABERDEEN AND ORKNEY**

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 OCTOBER 2012**

1. ACCOUNTING POLICIES – continued

Tangible fixed assets

Depreciation is calculated at 20% per annum (straight line) on Office Equipment and 10% per annum (straight line) on Office Fittings. Office equipment and fitting items over £500 are capitalised.

Heritable properties are shown at cost or at market value at the point of donation. Expenditure on improvements is capitalised. The heritable properties have useful lives in excess of fifty years. No depreciation has been provided against the book value of heritable properties and in the opinion of the Trustees, due to the long useful economic lives of the properties and their high residual values, any depreciation charge and resultant accumulated depreciation are immaterial. In the opinion of the Trustees, no impairment of the carrying values has occurred during the year.

Heritage assets

The Diocese owns a collection of books of theological material dating mostly from the eighteenth and nineteenth centuries. These books are on permanent loan to the University of Aberdeen. The Trustees do not consider that a reliable cost or valuation information can be obtained for these books, therefore they are not recognised in the Balance Sheet.

Taxation

The charity is exempt from tax on its charitable activities.

Fund accounting

Unrestricted funds are available for use, at the Trustees' discretion, in furtherance of the Diocese's objectives; restricted funds are those given for specific purposes. Designated funds are unrestricted funds which have been allocated for a specific purpose by the Trustees. The Diocese has one main fund, which is unrestricted, and comprises the amalgamation of the Diocesan, Gordon and Cruickshank Funds, as approved by Diocesan Synod.

In addition the Diocese benefits from a number of small funds which are restricted.

Pensions

The Diocese contributes to a defined benefit pensions scheme, the SEC Pension Fund, which is independently managed by the Pension Fund Trustees. The scheme is subject to formal actuarial valuation on a triennial basis using the projected unit method. This scheme covers all seven Dioceses of the Scottish Episcopal Church and The General Synod Office. The assets and liabilities of any one participant in the scheme cannot be identified separately. The provisions of FRS 17 allow employers participating in such schemes to treat their pension disclosures as if the scheme were a defined contribution scheme. This is the treatment which has been adopted by the Diocesan Trustees in these statements, with contributions charged to the Statement of Financial Activities of the Diocesan General Fund but no asset or liability included on the Balance Sheet.

**SCOTTISH EPISCOPAL CHURCH
DIOCESE OF ABERDEEN AND ORKNEY**

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 OCTOBER 2012**

1. ACCOUNTING POLICIES – continued

Exceptional items

Material items which derive from events or transactions that fall within the ordinary activities of the Diocese and which individually, or, if of a similar type, in aggregate, need to be disclosed by virtue of their size or incidence if the accounts are to give a true and fair view, are classed as exceptional items and included in Charitable Activities in the SOFA.

Investments

Investments are included at market value. Gains and losses on disposal of investments and movement in market value of investments are charged or credited to the Statement of Financial Activities (SOFA). Investments not listed on the Stock Exchange, SEC Units, are included at the year end value provided by SEC.

2. VOLUNTARY INCOME

	2012 £	2011 £
Donations	83,105	30,041
Grants	<u>117,087</u>	<u>122,742</u>
	<u>200,192</u>	<u>152,783</u>

Grants received, included in the above, are as follows:

	2012 £	2011 £
General Synod	90,120	91,221
Church Army contribution	-	12,800
Dr Anderson's Trust	10,417	5,000
NHS Grampian	10,056	11,471
Sundry other grants	500	2,250
Allchurches Trust	<u>5,994</u>	<u>-</u>
	<u>117,087</u>	<u>122,742</u>

3. INVESTMENT INCOME

	2012 £	2011 £
Rents received	2,866	2,451
Deposit account interest	1,320	681
Dividends	<u>53,684</u>	<u>55,561</u>
	<u>57,870</u>	<u>58,693</u>

**SCOTTISH EPISCOPAL CHURCH
DIOCESE OF ABERDEEN AND ORKNEY**

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 OCTOBER 2012**

4. INCOMING RESOURCES FROM CHARITABLE ACTIVITIES

	2012	2011
	£	£
Income from charges - Quota	<u>165,665</u>	<u>159,518</u>

5. INVESTMENT MANAGEMENT COSTS

	2012	2011
	£	£
Portfolio management	<u>8,455</u>	<u>8,022</u>

6. CHARITABLE ACTIVITIES COSTS

	Direct costs (See note 7)	Grant funding of activities (See note 8)	Totals
	£	£	£
Costs directly attributable to activities	319,775	-	319,775
Grants payable	<u>-</u>	<u>94,952</u>	<u>94,952</u>
	<u>319,775</u>	<u>94,952</u>	<u>414,727</u>

**SCOTTISH EPISCOPAL CHURCH
DIOCESE OF ABERDEEN AND ORKNEY**

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 OCTOBER 2012**

7. DIRECT COSTS OF CHARITABLE ACTIVITIES

	2012	2011
	£	£
Staff costs	158,597	154,800
Quota	68,563	66,565
Travel costs	7,569	7,918
Postage, telephone and stationery	4,012	3,921
Rates, council tax and insurance	14,886	4,100
Heat and light	1,521	1,281
Repairs and renewals	788	5,248
Cathedral, Dean, Primus and Synod expenses	9,159	7,951
Training and education expenses	4,823	4,051
Library	695	1,907
Miscellaneous	4,339	3,329
Website	195	755
Legal expenses	1,200	1,200
Professional fees	3,000	1,740
Pastoral services	21,973	12,260
Grants for Ministry: repaid	-	4,552
Donations	-	107,311
Depreciation	1,599	1,492
Repairs to St Clement's Church	<u>16,856</u>	<u>-</u>
	<u>319,775</u>	<u>390,381</u>

Repairs to St Clement's Church

Costs of £16,856 represent the final expenditure arising from repairs and refurbishment required at St Clement's Church after severe storm damage in 2008 (total project cost 2008 - 2012 : £173,646).

8. GRANTS PAYABLE

	2012	2011
	£	£
Grants payable	<u>94,952</u>	<u>110,827</u>

The total grants paid to institutions during the year was as follows:

	2012	2011
	£	£
Charges and individuals	<u>94,952</u>	<u>110,827</u>

**SCOTTISH EPISCOPAL CHURCH
DIOCESE OF ABERDEEN AND ORKNEY**

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 OCTOBER 2012**

8. GRANTS PAYABLE - continued

Grants are made to charges and individuals within the Scottish Episcopal Church for a variety of purposes and to non-church bodies. Where grants are made from Restricted Funds, these are made in compliance with the restrictions placed upon the use of such funds. The main grants awarded by the Finance and Property Committee relate to maintenance of church buildings. The Mission Committee awards grants relating to training and education and for general mission purposes.

9. GOVERNANCE COSTS

	2012	2011
	£	£
Legal fees	2,714	699
Auditors' remuneration	<u>5,130</u>	<u>5,230</u>
	<u>7,844</u>	<u>5,929</u>

10. TRUSTEES' REMUNERATION AND BENEFITS

There were no trustees' remuneration or other benefits for the year ended 31 October 2012 nor for the year ended 31 October 2011, other than as disclosed in note 11.

Trustees' Expenses

There were no trustees' expenses paid for the year ended 31 October 2012 nor for the year ended 31 October 2011.

**SCOTTISH EPISCOPAL CHURCH
DIOCESE OF ABERDEEN AND ORKNEY**

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 OCTOBER 2012**

11. STAFF COSTS

	2012	2011
	£	£
Wages and salaries	110,563	107,386
Social security costs	9,876	9,539
Other pension costs	<u>38,158</u>	<u>37,875</u>
	<u>158,597</u>	<u>154,800</u>

The average monthly number of employees during the year was as follows:

	2012	2011
Bishop	1	1
Clergy	3	3
Administration	<u>2</u>	<u>2</u>
	<u>6</u>	<u>6</u>

The following remuneration was paid to a Trustee, in his capacity as Bishop, during the year to 31 October 2012.

	Salary	NIC	Pension Contribution
	£	£	£
The Right Reverend Robert A Gillies	34,790	3,792	8,094

No employee received remuneration of more than £60,000.

The number of staff to whom retirement benefits are accruing under the defined benefit pension scheme, in 2012, is 6 (2011: 6).

**SCOTTISH EPISCOPAL CHURCH
DIOCESE OF ABERDEEN AND ORKNEY**

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 OCTOBER 2012**

12. TANGIBLE FIXED ASSETS

	Heritable property £	Office equipment £	Totals £
COST			
At 1 November 2011	648,827	10,540	659,367
Additions	<u>-</u>	<u>378</u>	<u>378</u>
At 31 October 2012	<u>648,827</u>	<u>10,918</u>	<u>659,745</u>
DEPRECIATION			
At 1 November 2011	-	4,452	4,452
Charge for year	<u>-</u>	<u>1,599</u>	<u>1,599</u>
At 31 October 2012	<u>-</u>	<u>6,051</u>	<u>6,051</u>
NET BOOK VALUE			
At 31 October 2012	<u>648,827</u>	<u>4,867</u>	<u>653,694</u>
At 31 October 2011	<u>648,827</u>	<u>6,088</u>	<u>654,915</u>

The above properties are stated at cost. No current valuations have been obtained for the properties. In the opinion of the Trustees the valuation of the six properties is not less than £1,500,000, therefore no impairment review is required.

13. FIXED ASSET INVESTMENTS

	Listed investments
MARKET VALUE	
At 1 November 2011	1,223,810
Additions	208,224
Disposals	(170,282)
Revaluations	<u>49,723</u>
At 31 October 2012	<u>1,311,475</u>
NET BOOK VALUE	
At 31 October 2012	<u>1,311,475</u>
At 31 October 2011	<u>1,223,810</u>

**SCOTTISH EPISCOPAL CHURCH
DIOCESE OF ABERDEEN AND ORKNEY**

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 OCTOBER 2012**

13. FIXED ASSET INVESTMENTS - continued

The above is represented by :

	2012	2011
	£	£
Government securities	19,267	18,475
Cash	4,824	9,594
SEC - UTP units	177,277	128,648
Fixed interest/Preference shares	426,880	554,928
Listed investments	405,028	306,794
Foreign investments	249,525	178,562
Property Investment Trusts	<u>28,674</u>	<u>26,809</u>
	<u>1,311,475</u>	<u>1,223,810</u>

14. DEBTORS

	2012	2011
	£	£
Amounts falling due within one year:		
Other debtors	<u>71,709</u>	<u>65,647</u>
Amounts falling due after more than one year:		
Other debtors	<u>40,755</u>	<u>6,602</u>
Aggregate amounts	<u>112,464</u>	<u>72,249</u>

Included in debtors which are due after more than one year are a £30,000 loan to St Mary's Vestry, Auchindoir and car loans of £10,755 (2011 : £4,028).

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012	2011
	£	£
Taxation and social security	3,206	3,515
Other creditors	<u>43,677</u>	<u>69,074</u>
	<u>46,883</u>	<u>72,589</u>

Other creditors include deferred income in respect of grants received for 2012-13 of £18,725 (2011 : £20,819) and for 2013-15 of £3,194 (2011 : £nil).

**SCOTTISH EPISCOPAL CHURCH
DIOCESE OF ABERDEEN AND ORKNEY**

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 OCTOBER 2012**

16. MOVEMENT IN FUNDS

	At 1/11/11 £	Net movement in funds £	Transfers between funds £	At 31/10/12 £
Unrestricted funds				
Diocesan General Fund	2,196,483	45,574	(50,642)	2,191,415
Restricted funds				
Bishop's Stipend	27,161	(40,155)	50,642	37,648
Bishop's Lent Appeal	237	(80)	-	157
Browning Bursary	11,912	43,192	-	55,104
Trust and Other	46,238	224	-	46,462
	<u>85,548</u>	<u>3,181</u>	<u>50,642</u>	<u>139,371</u>
TOTAL FUNDS	<u>2,282,031</u>	<u>48,755</u>	<u>-</u>	<u>2,330,786</u>

Net movement in funds, included in the above are as follows:

	Incoming resources £	Resources expended £	Gains and losses £	Movement in funds £
Unrestricted funds				
Diocesan General Fund	351,692	(359,944)	53,826	45,574
Restricted funds				
Bishop's Stipend	18,564	(59,603)	884	(40,155)
Bishop's Lent Appeal	10,242	(10,322)	-	(80)
Browning Bursary	41,848	-	1,344	43,192
Trust and Other	1,381	(1,157)	-	224
	<u>72,035</u>	<u>(71,082)</u>	<u>2,228</u>	<u>3,181</u>
TOTAL FUNDS	<u>423,727</u>	<u>(431,026)</u>	<u>56,054</u>	<u>48,755</u>

All unrestricted funds are now amalgamated into the Diocesan General Fund.

Transfers between funds

Each year the equivalent of the net deficit on the Bishop's Stipend Fund is transferred from the Diocesan General Fund to the Bishop's Stipend Fund.

**SCOTTISH EPISCOPAL CHURCH
DIOCESE OF ABERDEEN AND ORKNEY**

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 OCTOBER 2012**

17. OTHER FINANCIAL COMMITMENTS

At the year end the Diocese was committed to paying £2,632 (2011 : £3,500) in property grants, once the works (at two churches) were completed.

18. RELATED PARTY DISCLOSURES

During the year the Diocese incurred fees of £1,200 (2011: £1,200) from Ledingham Chalmers, Solicitors, in consideration of Peter Murray's work in his capacity as Registrar. Peter Murray is a trustee of the Diocese and a partner in Ledingham Chalmers. Fees of £2,713 (2011 : £403) for other matters were also incurred during the year.

A short term loan of £30,000 was granted last year to St Matthew and St George Episcopal Church, Oldmeldrum. Graham Robertson, Chancellor of the Diocese, is Chairman of the Vestry of St Matthew and St George Episcopal Church, Oldmeldrum. The loan is for an initial period of six months, interest free for the first three months and thereafter interest will accrue at 2.5% per annum.

Grants of £90,120 (2011: £91,221) were received by the Diocese of Aberdeen & Orkney from The General Synod of the Scottish Episcopal Church during the year, and Quota of £68,063 (2011 : £66,565) was paid to The General Synod of the Scottish Episcopal Church. Grants of £74,880 (2011 : £97,827) were paid to charges and individuals within the Scottish Episcopal Church.

During the year expenses of £4,534 (2011 : £5,646) were paid on behalf of St Margaret's Braemar. The Right Rev Dr Robert A Gillies, trustee of the Diocese, is the sole trustee of St Margaret's Braemar.

The Diocese has entered into a grant undertaking, up to the value of £30,000, with St Mary's Episcopal Church, Auchindoir. Certain conditions exist whereupon this grant may be repayable to the Diocese : if St Mary's sells or otherwise transfers ownership of the Rectory it shall repay the grant to the Diocese with a premium calculated at a rate of 5% of the grant being made, compounded annually. If St Mary's rents out the Rectory as a private dwelling house after 1 January 2013, it shall pay 15% of such rent to the Diocese. The £30,000 is currently included in debtors.

19. ULTIMATE CONTROLLING PARTY

The Diocese of Aberdeen and Orkney is a constituent part of the Scottish Episcopal Church and, as such, operates within the framework or regulation (the Canons of the Scottish Episcopal Church) passed by the General Synod. Within this framework the Diocese has a completely independent decision-making process.

**SCOTTISH EPISCOPAL CHURCH
DIOCESE OF ABERDEEN AND ORKNEY**

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 OCTOBER 2012**

20. PENSIONS

The Diocese contributes to a defined benefit pensions scheme, the SEC Pension Fund, which is independently managed by the Pension Fund Trustees. The scheme is subject to formal actuarial valuation on a triennial basis using the projected unit method. This scheme covers all seven Dioceses of the Scottish Episcopal Church and The General Synod Office. The assets and liabilities of any one participant in the scheme cannot be identified separately. The provisions of FRS 17 allow employers participating in such schemes to treat their pension disclosures as if the scheme were a defined contribution scheme. This is the treatment which has been adopted by the Diocesan Trustees in these statements, with contributions charged to the Statement of Financial Activities of the Diocesan General Fund but no asset or liability included on the Balance Sheet.

The contribution rate for the year under review was 34.9%. The rate is based on the Actuarial Valuation of the Fund at 31 December 2008 which estimated the Fund's deficit to be £8.8million. The Actuarial Valuation as at 31 December 2011 estimated the Fund's deficit to be £3million and if the assumptions of the recovery plan are borne out in practice there will be no change in the contribution rate before 1 September 2021.

The pension charge for the year was £38,158 (2011: £37,875). At 31 October 2012, outstanding contributions payable to the Scheme amounted to £nil (2011: £nil).

**SCOTTISH EPISCOPAL CHURCH
DIOCESE OF ABERDEEN AND ORKNEY**

**DETAILED STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31 OCTOBER 2012**

	2012 £	2011 £
INCOMING RESOURCES		
Voluntary income		
Donations	83,105	30,041
Grants	<u>117,087</u>	<u>122,742</u>
	200,192	152,783
Investment income		
Rents received	2,866	2,451
Deposit account interest	1,320	681
Dividends	<u>53,684</u>	<u>55,561</u>
	57,870	58,693
Incoming resources from charitable activities		
Income from charges	<u>165,665</u>	<u>159,518</u>
Total incoming resources	423,727	370,994
RESOURCES EXPENDED		
Investment management costs		
Portfolio management	8,455	8,022
Charitable activities		
Wages	110,563	107,386
Social security	9,876	9,539
Pensions	38,158	37,875
Quota	68,563	66,565
Travel costs	7,569	7,918
Postage, telephone and stationery	4,012	3,921
Rates, council tax and insurance	14,886	4,100
Heat and light	1,521	1,281
Repairs and renewals	788	5,248
Cathedral, Dean, Primus and Synod expenses	9,159	7,951
Training and education expenses	4,823	4,051
Library	695	1,907
Carried forward	270,613	257,742

This page does not form part of the statutory financial statements

