

REGISTERED CHARITY NUMBER: SC 022180

**REPORT OF THE TRUSTEES AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 OCTOBER 2015
FOR**

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

Johnston Carmichael LLP
Chartered Accountants and Registered Auditors
29 Albyn Place
Aberdeen
AB10 1YL

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

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FOR THE YEAR ENDED 31 OCTOBER 2015**

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

**REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 OCTOBER 2015**

The trustees present their report with the financial statements of the charity for the year ended 31 October 2015. 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 2015**

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
The Rev Canon Lisa Eunson	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 (retired 6/3/15)
	Mr Ken Elliott
	Rev Canon Lisa Eunson (elected 6/3/15)

**Diocesan Representative to the
Provincial Finance Committee**

Miss Anne Harper

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 2015**

REFERENCE AND ADMINISTRATIVE DETAILS

Independent Examiner

Jean Main
For and on behalf of
Johnston Carmichael LLP
Chartered Accountants and Registered Auditors
29 Albyn Place
Aberdeen
AB10 1YL

Solicitors

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

Bankers

Clydesdale Bank plc
62 Union Street
Aberdeen
AB10 1WD

Stockbrokers

Brewin Dolphin
Blenheim House
Fountainhall Road
Aberdeen
AB15 6DT

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

**REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 OCTOBER 2015**

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".

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.

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*; six 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 Board (F&P) has responsibility for the general administration of the Diocesan finances.

The day-to-day records are maintained by Mr Ian Fraser, Assistant Treasurer. John MacCormack retired from the F&P Board in March, after nine years valuable service.

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.

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

**REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 OCTOBER 2015**

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.

ACHIEVEMENT AND PERFORMANCE

Charitable activities

The Trustees aim to support Charges by receiving and distributing stipend support within the framework set out by the General Synod from time to time. Currently the means by which this is done is being changed to block grant system thus enabling more flexibility to make decisions about allocation within the diocese albeit with a reduction in the block grant from that which was previously provided.

Since the sale of the former Diocesan Office in the year up to 31st October 2010 the Diocesan Office has been located in the former clergy house at St Clement's Mastrick. As this house may shortly be needed to house clergy conversations are beginning that may lead to the development of simple office space construction in the vacant 'east end' of St Clement's Church.

The clergy and lay readers' conference in the autumn continues to be better attended than previous years indicating, at the very least, buoyancy and goodwill amongst clerical and lay leadership.

The Diocese's links with its companion Dioceses (Connecticut and Mthatha) have also been strengthened by visits from this Diocese to each and by the visit of a cleric (who was appointed an honorary canon in Aberdeen) from Connecticut.

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

**REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 OCTOBER 2015**

FINANCIAL REVIEW

Diocesan Treasurer's report 2015

The Diocese budgeted to use reserves of £15,248 in 2014/15 to meet the cost of running the Diocese and various mission-related commitments which are paid for centrally. The final position for the year was a deficit of £24,607, before accounting for gains and losses on the market value of the Diocese's investment portfolio. Planned expenditure was below budget – for the second year running an unplanned surplus has arisen due to vacant posts. However, inspection of one of the Diocesan properties whilst it was vacant uncovered the need to do significant maintenance works. The final cost of these was £37,266.

The need to improve the maintenance provision for Diocesan buildings was identified in last year's annual accounts, and this has been reinforced by the unplanned expenditure incurred in 2014/15. The Diocese is in the process of instructing quinquennial reports for all its properties, and the findings of those reports will be used to estimate budgetary requirements for the next five years. Given that the Diocesan budget is already over-committed for 2015/16, this will create further financial pressure, but should enable a better picture of the financial requirements of the Diocese to be assessed.

Diocesan income was £178,000 lower in 2014/15 than in the previous year: principally a consequence of the £160,000 bequest received in 2013/14. However, there is also a downward trend in grant-funding from the Province. Overall investment income has been fairly static. Diocesan expenditure was £28,000 higher than in 2013/14. In part this reflects the unplanned property repairs. There have been movements up and down from last year across all expenditure heads, but the underlying trend – perhaps unsurprisingly – is an increase in expenditure. The year-on-year increase in quota needs to be seen with this as a backdrop.

The balance sheet value of the Diocese is £2.7 million. Net current assets are £15,000 lower than in 2013/14 and the value of investments £10,000 lower than in 2013/14. The deficit of income over expenditure has been largely absorbed, but cannot be sustained indefinitely.

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, 2015, the Diocese received a grant of £22,162 (2014 - £24,500) that was put towards stipend support for five posts, the Children & Family initiative and property works at St Andrew's Cathedral and All Saints, Buckie.

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 this year gave a grant of £6,294 towards assisting charges which struggle to pay stipend and other running costs.

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

**REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 OCTOBER 2015**

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.

At the year end the net worth of the Diocese was £2.664 million of which £812,196 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 2015**

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).

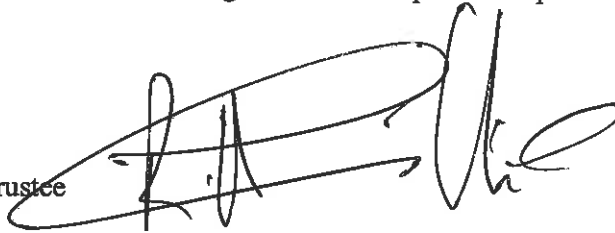
The law applicable to charities in Scotland requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources, including the income and expenditure, of the charity 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 2005;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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.

ON BEHALF OF THE BOARD:

The Right Rev Dr Robert A Gillies - Trustee



12th MAY 2016

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

I report on the accounts of the charity for the year ended 31 October 2015 which are set out on pages 10 to 26.

This report is made to the charity's board of trustees, as a body, in accordance with the terms of engagement. My work has been undertaken to enable me to undertake an independent examination of the charity's accounts on behalf of the charity's board of trustees and for no other purpose. To the fullest extent permitted by law, I do not accept or assume responsibility to anyone other than the charity and the charity's board of trustees as a body, for my work or for this report.

Respective responsibilities of trustees and examiner

The charity's trustees are responsible for the preparation of the accounts in accordance with the terms of the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

The charity trustees consider that the audit requirement of Regulation 10(1) (a) to (c) of the Accounts Regulations does not apply. It is my responsibility to examine the accounts as required under section 44(1) (c) of the Act and to state whether particular matters have come to my attention.

Basis of independent examiner's statement

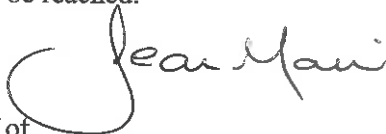
My examination is carried out in accordance with Regulation 11 of the Charities Accounts (Scotland) Regulations 2006 (as amended). An examination includes a review of the accounting records kept by the charity and a comparison of the accounts presented with those records. It also includes consideration of any unusual items or disclosures in the accounts, and seeks explanations from the trustees concerning any such matters. The procedures undertaken do not provide all the evidence that would be required in an audit, and consequently I do not express an audit opinion on the view given by the accounts.

Independent examiner's statement

In the course of my examination, no matter has come to my attention

1. which gives me reasonable cause to believe that in any material respect the requirements:
 - to keep accounting records in accordance with Section 44(1) (a) of the 2005 Act and Regulation 4 of the 2006 Accounts Regulations (as amended), and
 - to prepare accounts which accord with the accounting records and comply with Regulation 8 of the 2006 Accounts Regulations (as amended) have not been met, or
2. to which, in my opinion, attention should be drawn in order to enable a proper understanding of the accounts to be reached.

Jean Main CA
For and on behalf of
Johnston Carmichael LLP
Bishop's Court
29 Albyn Place
AB10 1YL



Date:

12 May 2016

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

**STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31 OCTOBER 2015**

	Notes	Unrestricted funds £	Restricted funds £	2015 Total funds £	2014 Total funds £
INCOMING RESOURCES					
Incoming resources from generated funds					
Voluntary income	2	127,171	24,024	151,195	332,846
Investment income	3	58,134	4,936	63,070	63,619
Incoming resources from charitable activities					
Income from charges	4	<u>196,100</u>	<u>-</u>	<u>196,100</u>	<u>191,342</u>
Total incoming resources		381,405	28,960	410,365	587,807
RESOURCES EXPENDED					
Costs of generating funds					
Investment management costs	5	10,207	-	10,207	9,148
Charitable activities					
Grants payable	6-8	77,303	1,702	79,005	61,219
Costs directly attributable to activities		258,711	78,649	337,360	330,615
Governance costs	9	<u>8,400</u>	<u>-</u>	<u>8,400</u>	<u>5,885</u>
Total resources expended		354,621	80,351	434,972	406,867
NET INCOMING/(OUTGOING) RESOURCES BEFORE TRANSFERS					
		26,784	(51,391)	(24,607)	180,940
Gross transfers between funds	16	<u>(53,401)</u>	<u>53,401</u>	<u>-</u>	<u>-</u>
Net incoming/(outgoing) resources before other recognised gains and losses		(26,617)	2,010	(24,607)	180,940
Other recognised gains/losses					
Gains/losses on investment assets		<u>(2,822)</u>	<u>3,304</u>	<u>482</u>	<u>38,424</u>
Net movement in funds		(29,439)	5,314	(24,125)	219,364

The notes form part of these financial statements

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

**STATEMENT OF FINANCIAL ACTIVITIES - CONTINUED
FOR THE YEAR ENDED 31 OCTOBER 2015**

	Notes	Unrestricted funds £	Restricted funds £	2015 Total funds £	2014 Total funds £
RECONCILIATION OF FUNDS					
Total funds brought forward		2,529,890	158,958	2,688,848	2,469,484
TOTAL FUNDS CARRIED FORWARD		<u>2,500,451</u>	<u>164,272</u>	<u>2,664,723</u>	<u>2,688,848</u>

The notes form part of these financial statements

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

**BALANCE SHEET
AT 31 OCTOBER 2015**

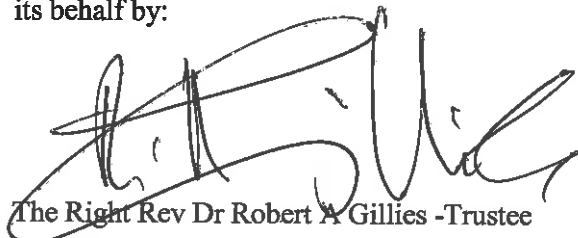
	Notes	Unrestricted funds £	Restricted funds £	2015 Total funds £	2014 Total funds £
FIXED ASSETS					
Tangible assets	12	812,196		812,196	811,400
Investments	13	<u>1,399,320</u>	<u>130,576</u>	<u>1,529,896</u>	<u>1,539,599</u>
		2,211,516	130,576	2,342,092	2,350,999
CURRENT ASSETS					
Debtors	14	54,832	3,307	58,139	58,390
Cash at bank		<u>340,438</u>	<u>33,359</u>	<u>373,797</u>	<u>373,146</u>
		395,270	36,666	431,936	431,536
CREDITORS					
Amounts falling due within one year	15	(106,335)	(2,970)	(109,305)	(93,687)
		<u>288,935</u>	<u>33,696</u>	<u>322,631</u>	<u>337,849</u>
NET CURRENT ASSETS					
		<u>2,500,451</u>	<u>164,272</u>	<u>2,664,723</u>	<u>2,688,848</u>
TOTAL ASSETS LESS CURRENT LIABILITIES					
		<u>2,500,451</u>	<u>164,272</u>	<u>2,664,723</u>	<u>2,688,848</u>
NET ASSETS					
		<u>2,500,451</u>	<u>164,272</u>	<u>2,664,723</u>	<u>2,688,848</u>
FUNDS					
Unrestricted funds	16			2,500,451	2,529,890
Restricted funds				<u>164,272</u>	<u>158,958</u>
TOTAL FUNDS					
				<u>2,664,723</u>	<u>2,688,848</u>

The notes form part of these financial statements


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

**BALANCE SHEET - CONTINUED
AT 31 OCTOBER 2015**

The financial statements were approved by the Board of Trustees on *22th MAY* 2016 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 2015**

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.
- Legacies are accounted for when receivable.

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 independent examiner fees.

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

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 OCTOBER 2015**

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 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 Income and Expenditure Account of the Diocesan General Fund but no asset or liability appearing on the Balance Sheet.

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

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 OCTOBER 2015**

1. ACCOUNTING POLICIES - continued

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

	2015	2014
	£	£
Donations	37,864	49,584
Grants	113,331	123,262
Legacies	-	160,000
	<u>151,195</u>	<u>332,846</u>

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

	2015	2014
	£	£
General Synod	81,545	89,198
Dr Anderson's Trust	22,162	24,500
NHS Grampian	3,330	3,570
Sundry other grants	0	0
Allchurches Trust	6,294	5,994
	<u>113,331</u>	<u>123,262</u>

3. INVESTMENT INCOME

	2015	2014
	£	£
Rents received	2,871	2,859
Deposit account interest	2,648	3,180
Dividends	57,551	57,580
	<u>63,070</u>	<u>63,619</u>

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

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 OCTOBER 2015**

4. INCOMING RESOURCES FROM CHARITABLE ACTIVITIES

	Activity	2015 £	2014 £
Income from charges	Quota	<u>196,100</u>	<u>191,342</u>

5. INVESTMENT MANAGEMENT COSTS

	2015 £	2014 £
Portfolio management	<u>10,207</u>	<u>9,148</u>

6. CHARITABLE ACTIVITIES COSTS

	Direct costs (See note 7) £	Grant funding of activities (See note 8) £	Totals £
Costs directly attributable to activities	337,360	-	337,360
Grants payable	<u>-</u>	<u>79,005</u>	<u>79,005</u>
	<u>337,360</u>	<u>79,005</u>	<u>416,365</u>

**SCOTTISH EPISCOPAL CHURCH
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**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 OCTOBER 2015**

7. DIRECT COSTS OF CHARITABLE ACTIVITIES

	2015	2014
	£	£
Staff costs	142,254	153,334
Quota	74,239	71,879
Travel costs	8,680	9,542
Postage, telephone and stationery	2,364	2,281
Rates, council tax and insurance	9,588	11,642
Heat and light	1,953	1,391
Repairs and renewals	7,102	2,133
Property refurbishment	37,815	-
Cathedral, Dean, Primus and Synod expenses	9,912	7,973
Training and education expenses	13,653	10,249
Library	364	685
Miscellaneous	3,991	5,846
ICT	1,322	652
Legal fees	1,444	1,400
Pastoral services	6,305	16,587
Depreciation	737	927
Repairs to St Clement's hall and rectory	-	13,107
Appeals (Bishop and Dean)	15,637	20,987
	<u>337,360</u>	<u>330,615</u>

8. GRANTS PAYABLE

	2015	2014
	£	£
Grants payable	<u>79,005</u>	<u>61,219</u>

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

	2015	2014
	£	£
Charges, individuals and 3 rd parties	<u>79,005</u>	<u>61,219</u>

**SCOTTISH EPISCOPAL CHURCH
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**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 OCTOBER 2015**

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.

	Grants to Charges £	Grants to 3rd parties £	Grants to Individuals £	2015 Total £
Maintenance of church buildings	3,000	-	-	3,000
Training and education	2,250	-	3,400	5,650
General mission purposes	68,605	650	1,100	70,355
	<u>73,855</u>	<u>650</u>	<u>4,500</u>	<u>79,005</u>

	Grants to Charges £	Grants to 3rd parties £	Grants to Individuals £	2014 Total £
Maintenance of church buildings	-	-	-	-
Training and education	3,250	385	3,055	6,690
General mission purposes	51,326	800	2,403	54,529
	<u>54,576</u>	<u>1,185</u>	<u>5,458</u>	<u>61,219</u>

9. GOVERNANCE COSTS

	2015 £	2014 £
Legal fees	-	2,385
Auditors' remuneration	4,800	3,500
Independent examination	<u>3,600</u>	<u>-</u>
	<u>8,400</u>	<u>5,885</u>

10. TRUSTEES' REMUNERATION AND BENEFITS

Other than as disclosed in Note 11, there were no trustees' remuneration or other benefits for the year ended 31 October 2015 nor for the year ended 31 October 2014.

Trustees' expenses

There were no trustees' expenses paid for the year ended 31 October 2015 nor for the year ended 31 October 2014.

**SCOTTISH EPISCOPAL CHURCH
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**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 OCTOBER 2015**

11. STAFF COSTS

	2015	2014
	£	£
Wages and salaries	101,486	108,607
Social security costs	6,180	7,757
Other pension costs	<u>34,588</u>	<u>36,970</u>
	<u>142,254</u>	<u>153,334</u>

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

	2015	2014
Bishop	1	1
Clergy	1	2
Administration	<u>3</u>	<u>2</u>
	<u>5</u>	<u>5</u>

The following remuneration was paid to a Trustee, in his capacity as Bishop, during the year to 31 October 2015.

	Salary	NIC	Pension Contribution
	£	£	£
The Right Reverend Robert A Gillies	36,915	3,984	8,589

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 2015, is 6 (2014 - 5).

**SCOTTISH EPISCOPAL CHURCH
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**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 OCTOBER 2015**

12. TANGIBLE FIXED ASSETS

	Heritable property £	Office equipment £	Totals £
COST/VALUATION			
At 1 November 2014	808,827	10,264	819,091
Disposals	-	(801)	(801)
Additions	-	<u>1,533</u>	<u>1,533</u>
At 31 October 2015	<u>808,827</u>	<u>10,996</u>	<u>819,823</u>
DEPRECIATION			
At 1 November 2014	-	7,691	7,691
Disposals	-	(801)	(801)
Charge for year	-	<u>737</u>	<u>737</u>
At 31 October 2015	<u>-</u>	<u>7,627</u>	<u>7,627</u>
NET BOOK VALUE			
At 31 October 2015	<u>808,827</u>	<u>3,369</u>	<u>812,196</u>
At 31 October 2014	<u>808,827</u>	<u>2,573</u>	<u>811,400</u>

The above properties brought forward are stated at cost. No current valuations have been obtained for the properties. This has been included at the executor's estimated value. In the opinion of the Trustees the valuation of the seven properties is not less than £1,880,000 therefore no impairment review is required.

13. FIXED ASSET INVESTMENTS

	Listed investments £
MARKET VALUE	
At 1 November 2014	1,539,599
Additions	112,460
Disposals	(104,250)
Revaluations	<u>(17,913)</u>
At 31 October 2015	<u>1,529,896</u>
NET BOOK VALUE	
At 31 October 2014	<u>1,529,896</u>
At 31 October 2015	<u>1,539,599</u>

**SCOTTISH EPISCOPAL CHURCH
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**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 OCTOBER 2015**

13. FIXED ASSET INVESTMENTS - continued

The above is represented by:

	2015	2014
	£	£
Government securities	-	19,070
Cash	5,168	27,984
SEC - UTP units	300,258	267,158
Fixed interest/Preference shares	350,041	333,490
Listed investments	496,734	554,320
Foreign investments	303,085	301,093
Property Investment Trusts	40,681	36,484
Other Investment Trusts	33,929	
	<u>1,529,896</u>	<u>1,539,599</u>

14. DEBTORS

	2015	2014
	£	£
Amounts falling due within one year:		
Other debtors	<u>28,139</u>	<u>27,149</u>
Amounts falling due after more than one year:		
Other debtors	<u>30,000</u>	<u>31,241</u>
Aggregate amounts	<u>58,139</u>	<u>58,390</u>

Debtors which are due after more than one year relate to a £30,000 loan to St Mary's Vestry, Auchindoir.

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015	2014
	£	£
Taxation and social security	2,130	2,246
Other creditors	<u>107,175</u>	<u>91,441</u>
	<u>109,305</u>	<u>93,687</u>

**SCOTTISH EPISCOPAL CHURCH
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**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 OCTOBER 2015**

16. MOVEMENT IN FUNDS

	At 1.11.14 £	Net movement in funds £	Transfers between funds £	At 31.10.15 £
Unrestricted funds				
Diocesan General Fund	2,527,313	23,962	(51,972)	2,499,303
Property Repairs Fund	2,577	-	(1,429)	1,148
	<u>2,529,890</u>	<u>23,962</u>	<u>(53,401)</u>	<u>2,500,451</u>
Restricted funds				
Bishop's Stipend	41,375	(52,583)	53,401	42,193
Appeals (Bishop/Dean/book)	-	-	-	-
Browning Bursary	66,429	3,095	-	69,524
Trust and Other	51,154	1,401	-	52,555
	<u>158,958</u>	<u>(48,087)</u>	<u>53,401</u>	<u>164,272</u>
TOTAL FUNDS	<u>2,688,848</u>	<u>(24,125)</u>	<u>-</u>	<u>2,664,723</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	381,405	(354,621)	(2,822)	23,962
Property Repairs Fund	-	-	-	-
Restricted funds				
Bishop's Stipend	9,610	(63,012)	819	(52,583)
Appeals (Bishop and Dean)	15,637	(15,637)	-	-
Browning Bursary	1,854	-	1,241	3,095
Trust and Other	1,859	(1,702)	1,244	1,401
Bequest Fund	-	-	-	-
	<u>28,960</u>	<u>(80,351)</u>	<u>3,304</u>	<u>(48,087)</u>
TOTAL FUNDS	<u>410,365</u>	<u>(434,972)</u>	<u>482</u>	<u>(24,125)</u>

**SCOTTISH EPISCOPAL CHURCH
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**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 OCTOBER 2015**

16. MOVEMENT IN FUNDS - continued

Bishop's Stipend	The fund exists to support the funding of the Bishop's stipend and expenses.
Bishop's Lent Appeal	The fund raises money annually for a charitable purpose. A different charity is chosen each year with donations being sought principally from individuals and vestries within the Diocese. In addition, a second Dean's Walk raised funds, in a separate appeal, for the preservation of the windows at St Margaret's, while the publication and sale of "Armour of Light" raised funds to aid the restoration of St Andrew's Cathedral.
Browning Bursary	The fund generates income in order to fund training and education opportunities for prospective ordinands.
Trust and Other	Five small trust funds exist, the income from which is used to relieve hardship and provide funds for specified charitable causes within the Diocese.

Transfers between funds

Each year the equivalent of the net deficit, excluding gains/losses on investments, on the Bishop's Stipend Fund, is transferred from the Diocesan General Fund to the Bishop's Stipend Fund. A reverse transfer of £1,429 has been made from the Diocesan General Fund to a designated Property Repairs Fund to meet current year repair expenditure.

17. CONTINGENT LIABILITIES

The Diocese is the guarantor for loans made by the Provincial Office of the Scottish Episcopal Church to All Saints Buckie (£6,000) and St Magnus, Lerwick (£30,000). At 31 December 2015 the amounts outstanding were £2,800 and £9,328 respectively.

18. OTHER FINANCIAL COMMITMENTS

At the year end the Diocese had no grant commitments. (2014 - nil).

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**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 OCTOBER 2015**

19. RELATED PARTY DISCLOSURES

During the year the Diocese incurred fees of £1,444 (2014 - £1,400) 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. No other fees were incurred during the year (2014 - £2,385).

Grants of £81,545 (2014 - £89,198) were received by the Diocese of Aberdeen & Orkney from The General Synod of the Scottish Episcopal Church during the year, and Quota of £74,239 (2014 - £71,879) was paid to The General Synod of the Scottish Episcopal Church. Grants of £78,355 (2014 - £60,034) were paid to charges and individuals within the Scottish Episcopal Church.

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.

20. 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
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**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 OCTOBER 2015**

21. 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 Income and Expenditure Account of the Diocesan General Fund but no asset or liability appearing on the Balance Sheet.

The most recent actuarial valuation was at 31 December 2014. The preliminary results of the valuation indicate that the position has further improved since 2011: the previous shortfall of £3 million having been turned into a surplus of £1.3 million. This led the Trustees of the SEC Pension Fund and the Provincial Standing Committee to recommend (to the 2015 Synod) a reduction of 2.7% in the contribution rate – to 32.2%. This was duly passed and, subsequently, implemented from 1 January, 2016.

The reduction is equivalent to that element of the previous rate which for the last three years has been used to fund the deficit recovery plan.

The pension charge for the year was £34,588 (2014 - £36,970). At 31 October 2015, outstanding contributions payable to the Scheme amounted to £nil (2014 - £nil).