



**Diocese of Edinburgh  
Scottish Episcopal Church**

Scottish Charity Number SC001214

**Report and Accounts  
for the Year ended  
31 December 2017**

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## Reference and administrative details

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|--|---|
| <b>NAME OF CHARITY</b>                   | Diocese of Edinburgh Scottish Episcopal Church<br>(Edinburgh Diocesan Synod)  |
| <b>SCOTTISH CHARITY NUMBER</b>           | SC001214  |
| <b>PRINCIPAL ADDRESS</b>                 | Edinburgh Diocesan Office<br>21A Grosvenor Crescent<br>Edinburgh EH12 5EL<br><br><i>Email:</i> office@edinburgh.anglican.org<br><i>Internet:</i> www.edinburgh.anglican.org   |
| <b>STANDING COMMITTEE<br/>(TRUSTEES)</b> | For the purposes of charities law, the members of the Standing Committee are the Charity Trustees of the Diocese. As at the date of this report, the Trustees and members of the Standing Committee were:<br><br><i>Ex officio:</i> The Right Rev. Dr John Armes (Convenor)<br>The Very Rev. Frances Burberry (Dean)*<br>Godfrey Robson (Diocesan Secretary)**<br>Ian Lawson (Convenor, Finance and Management Committee)**<br>Mr Colin Heggie (Registrar)<br>The Rev. Ruth Green (Convenor, Mission and Ministry Committee)***<br><br><i>Appointed by Synod:</i> The Rev. Canon Ian Paton (retired 17 March 2018)<br>The Rev. Canon Malcolm Round (retired 17 March 2018)<br>Mr Neil Stewart**<br>Ms Victoria Stock**<br><br>*Appointed 20 January 2017<br>**Appointed 11 March 2017<br>***Appointed 22 June 2017<br>****Appointed 25 March 2018 |
| <b>CUSTODIAN TRUSTEES</b>                | The following are Custodian Trustees for the Diocese in respect of heritable and moveable property:<br><br>The Right Rev. Dr John Armes (Bishop)<br>The Very Rev. Frances Burberry (Dean) (appointed 20 January 2017)<br>Iain Peebles, Lord Bannatyne (Chancellor)<br>Mr Colin Heggie (Registrar)   |
| <b>SECRETARY</b>                         | Godfrey Robson (appointed 11 March 2017)<br>Canon David Palmer (resigned 11 March 2017)   |
| <b>TREASURER</b>                         | Vacant<br>Mr Nigel Cook (deceased 10 November 2017)   |
| <b>ADMINISTRATOR</b>                     | Mr Simon Filsell  |
| <b>BANKERS</b>                           | Reliance Bank Ltd<br>Faith House, 23-24 Lovat Lane, London EC3R 8E  |
| <b>SOLICITORS</b>                        | Flexlaw<br>CBC House, 24 Canning Street, Edinburgh EH3 8EG  |
| <b>AUDITORS</b>                          | Chiene + Tait LLP<br>Chartered Accountants and Statutory Auditor<br>61 Dublin Street, Edinburgh EH3 6NL   |

Except where stated otherwise, all Trustees served throughout the financial year.

## **Report of the Standing Committee (Trustees' report) Year ended 31 December 2017**

As Trustees of the Diocese of Edinburgh, the Standing Committee presents its report and the audited accounts of the Diocese for the year ended 31 December 2017. These have been prepared in accordance with applicable charities law and the requirements of the Statement of Recommended Practice Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015).

### **Objectives and activities**

The primary charitable purpose of the Diocese is the advancement of religion and to provide public benefit. The main activities of the Diocese are the provision of spiritual, pastoral, administrative and financial support to its Charges (or local congregations) and their members in carrying out the ongoing mission of the Christian Church.

These activities are pursued through:

- training and leadership in mission and ministry;
- conferences, retreats and educational events;
- support for youth and children's activities;
- grants to Charges to support mission activity;
- access to central administrative facilities.

### **Achievements and performance**

The Diocese has continued to pursue its principal objectives and activities. The main emphasis continues to be in the area of mission and ministry development.

The Rev. Annie Naish, whose appointment in September 2016 as the Bishop's Enabler of Mission, has facilitated the development of a new Diocesan Strategy for Mission – 'Growing Together'. During 2017, four roadshows were held in different parts of the Diocese, and encouragement was given to all charges to engage with this vision. Rev. Naish has also supported individual congregations with sermons, vestry away days and mission training.

The Diocese has also supported mission and ministry in specific areas, notably in helping to develop joint working arrangements between Borders charges and assisting strategic planning for growth amongst smaller congregations in deprived areas of Edinburgh. The Diocese's Youth and Children's Officer provides significant support to charges, and organises training events, the Children's Play Church and an online newsletter. Mission grants, totalling £3,500, were paid to charges from the St Hilda's Fund.

In addition to mission grants, the Diocese has continued, through its Buildings Committee, to support charges investing in their buildings. Grants for emergency building work were awarded from the St Andrew's Fund (arising from the recent sale of the former St Andrew's Church, Prestonpans). It is anticipated that a sale will shortly be concluded for the former St Paul's Church in Livingston which is no longer used by the Livingston congregation. The purchasers will use the site for social housing.

Access to central administrative facilities was provided to charges through printing services, website management and advice, and support for treasurers.

This last item was provided with efficiency and precision by the Diocesan Treasurer, Nigel Cook, who died suddenly on 10 November 2017, not long after presiding at a conference he organised for charge treasurers. His contribution to the work of the Standing Committee and the Diocese was enormous and his loss is keenly felt. The Committee is greatly indebted to the Diocesan Administrator for maintaining financial procedures and accounting processes in the months following Nigel's death. Arrangements are in hand for the recruitment of a new Diocesan Treasurer in 2018.

A full review of the activities of the year is given in the reports to Synod of the various committees, which are available from the Diocesan Office.

## **Report of the Standing Committee (continued)**

### **Year ended 31 December 2017**

#### **Financial review**

##### *Sources of funding*

The Diocese is dependent for the majority of its income on quota contributions from Charges and grant funding from General Synod. In 2017 these accounted for respectively 63% and 15% of total recurring income. A further 13% is derived from the return on diocesan investments. Quota requested from Charges is based on budgeted expenditure and allocated among Charges in proportion to their assessable income.

##### *Review of the financial position*

The Diocese sustained a deficit on its general fund of £12.6k, following a similar deficit of £13k in 2016. The general fund represents the day-to-day operations of the Diocese, to the extent that they are not specifically funded from ring-fenced donations or specially designated reserves. As such, a recurring deficit is unsustainable, even if it is compensated by underspending in special funds or by unrealised increases in the value of investments. The Standing Committee will be considering means by which the general fund budget may be balanced in future.

The financial position of the Diocese is shown in the Balance Sheet on page 13. Total funds at 31 December 2017 amounted to £4.569m, an increase of £506k over the year, largely as a result of the unrealised growth in value of investments held in the SEC Unit Trust Pool. Substantially all of the increase was attributable to funds designated for or restricted to particular purposes.

The budget for 2017, approved by Diocesan Synod in October 2016, allowed for a deficit on general funds of £22k. In the event, a combination of savings, better than expected investment income and unanticipated costs, led to a reduced deficit on general fund of £12.6k. Results were broadly similar to 2016.

For the second year in succession, applications for grants from the St Hilda's Fund for mission and the St Andrew's Fund for emergency building works were insufficient to utilise all the income available and there was an unexpended surplus of £13.0k on funds designated for these purposes. A further £9.5k was unexpended on restricted funds, largely as a result of timing.

##### *Policy on investments*

The Diocese retains all its securities investments in the Scottish Episcopal Church Unit Trust Pool (UTP). The investment policy of the UTP, which accords with that of the Standing Committee, is to earn a return on the assets, over the long term, sufficient at least to maintain the real value of the distribution to unit holders. The UTP Investment Committee recognises its responsibilities to optimise investment returns whilst striving to meet reasonable ethical investment expectations. It aims to invest in companies that will not only successfully develop their business financially in the interests of shareholders, but also demonstrate responsible employment and good corporate governance practices, are conscientious regarding environmental performance and human rights, and act with sensitivity to the communities in which they operate.

The Investment Committee has also adopted strict "negative" criteria as a significant element of the ethical investment policy. No direct investment will be made in companies whose main business is in any of the following restricted categories: armaments, gambling, tobacco and pornography. The Committee is committed to seeking to identify companies whose operational activities give rise to ethical concerns, and will positively engage with, and if deemed appropriate, disinvest from such companies whose securities are held within the investment portfolio.

## Report of the Standing Committee (continued)

### Year ended 31 December 2017

#### Financial review (continued)

##### Principal risks and uncertainties

The Standing Committee continues to review risks and uncertainties, and the mitigating measures that can be adopted to minimise exposure. The principal risks are:

- dependency on collecting quota from Charges – this is managed through regular monitoring of receipts and follow-up with Charges; review of Charges' annual accounts; regular pastoral contact with Charges; and encouragement for Charges to switch to collection by direct debit;
- reliance on investment performance – all funds are placed with the Scottish Episcopal Church UTP, which is considered to be a low-risk product with a sound ethical basis;
- security of assets and systems – the diocesan office is protected against fire and intrusion, data backups are held off-site, and the Diocese is working towards developing a disaster recovery plan;
- the potential loss of key personnel – the Diocese plans to review the terms of employment contracts and will review and document temporary cover for critical tasks.

##### Policy on reserves

The net assets of the Diocese are held in a range of diverse funds. Some of these are restricted funds, whose income can only be expended in accordance with the wishes of the donor or the purposes for which the fund was raised. Other funds are held to generate income to fund the activities of the Diocese.

Total funds at 31 December 2017 were as follows:

| <i>£'000s</i>            | Total funds    | Funds held as:  |                |              |
|--------------------------|----------------|-----------------|----------------|--------------|
|                          |                | Tangible assets | Investments    | Other assets |
| Restricted income funds  | 244.7          | –               | 183.3          | 61.4         |
| Designated capital funds | 2,792.7        | 927.8           | 1,864.9        | –            |
| Designated revenue funds | 1,398.9        | –               | 1,345.8        | 53.1         |
| General fund             | 132.6          | 6.8             | 95.3           | 30.5         |
| <b>Total funds</b>       | <b>4,568.9</b> | <b>934.6</b>    | <b>3,489.3</b> | <b>145.0</b> |

Designated capital funds represent either (a) past sums granted to the Diocese with the intention that they be invested to generate income to further the activities of the Diocese or (b) funds invested in the Episcopal residence. In 2017 invested capital funds generated income of £54.9k to support diocesan expenditure.

Designated revenue funds represent sums intended to generate income for mission or building grants within the Diocese. The income generated in 2017 amounted to £39.7k, of which £26.7k was expended during the year on mission support. Standing Committee intends that the income of these funds be fully expended each year.

The Standing Committee has a number of responsibilities to meet, which include payment of stipends and salaries to central and diocesan personnel, maintenance of the diocesan office and its facilities, and support of diocesan Charges in their mission. The committee considers it necessary to retain a sum sufficient to provide working capital to cover day-to-day expenditure and to enable its responsibilities to be discharged in the event of any significant interruption or reduction in its income. This would enable the Diocese to maintain its current level of activities for a reasonable period until replacement funding can be obtained.

## **Report of the Standing Committee (continued)**

### **Year ended 31 December 2017**

#### **Financial review (continued)**

##### *Policy on reserves (continued)*

In line with other charitable bodies of similar size and level of financial commitment, the Standing Committee seeks to maintain a minimum of 3 months' average annual expenditure in freely available reserves. At 31 December 2017 the minimum requirement of 3 months budgeted general fund expenditure amounted to £157.3k; freely available reserves at the same date (general fund excluding tangible assets) amounted to £125.8k (or 10 weeks' expenditure). Steps will be taken in future years to increase the balance of freely available reserves.

#### **Plans for future periods**

Standing Committee anticipates continuing all the activities in which the Diocese is currently involved.

The Committee will continue to work with the Bishop's Enabler of Mission to develop, implement and communicate a fuller Mission Strategy which will enable us to determine where our time, energy and expenditure might best be focused. The Diocese aims to continue to assist charges with limited financial means to collaborate with their neighbouring charges in developing a continuing presence and enhanced mission and ministry in their areas.

The Committee will seek to encourage a greater take-up and use of funds available for mission and stipend support and urgent buildings maintenance from the St Hilda's and St Andrew's funds.

The Committee aims to appoint a new Diocesan Treasurer in the coming months.

#### **Structure, governance and management**

The Diocese is an unincorporated association, governed by a Constitution (the 'Administrative Scheme'), and subject to Canon Law of the Scottish Episcopal Church and Resolutions of its General Synod.

Founded in 1633, the Diocese is one of seven dioceses of the Scottish Episcopal Church, part of the Anglican Communion. The Diocese covers an area comprising Edinburgh, the Lothians, Scottish Borders and Falkirk. The Bishop of Edinburgh is chief pastor to 55 Charges, or local congregations, within this area. Congregational Charges within the Diocese are separate registered charities, and their transactions do not form part of these accounts.

Charges in the Diocese are grouped into seven areas. Each has an Area Council, comprised of the lay representative and clergy representative and one other lay person for each Charge in the area. The councils further the work of the Church in their area and act as a channel of communication between the congregations and Synod in both directions. Area Councils are required by the Constitution to meet at least three times each year.

The principal governing body of the Diocese is Diocesan Synod, which meets at least once each year to receive reports, appoint committees and officials, and transact any other business referred to it. Its membership comprises the Bishop, all instituted, licensed or commissioned clergy in the Diocese, a Lay Representative elected by each Charge, diocesan officials and members of the laity licensed to a specific duty within the Diocese.

Between meetings of Synod the Standing Committee acts as Executive Committee of the Diocese. It is responsible for managing and safeguarding the assets of the Diocese. It implements Synod decisions, supervises diocesan committees and communications between them, and considers business raised by Charges within the Diocese. It is required by the Constitution to meet at least three times each year.

## **Report of the Standing Committee (continued)** **Year ended 31 December 2017**

### **Structure, governance and management (continued)**

For the purposes of charities law, the members of the Standing Committee are the Trustees of the Diocese; all are appointed or elected from within the Diocese and its Charges. The Convenor of the Standing Committee is the Bishop, who is elected by representatives of Charges in the Diocese. The Vice convenor is a lay person appointed by the Standing Committee from within its membership. Two clerical and two lay members are elected by the Diocesan Synod. The elected members have a four year term of office. The Dean, Registrar, Secretary, Treasurer, and Convenors of the Mission and Ministry Committee and the Finance and Management Committee are members ex officio. The Standing Committee has power to fill ad interim vacancies occurring between meetings of Synod.

The names of the current Trustees at the date of this report are shown on page 2, together with their dates of appointment if after 1 January 2017. Also serving as Trustees during the year were:

- Canon David Palmer (Vice Convenor, Diocesan Secretary and Convenor of the Finance and Management Committee) (*resigned 11 March 2017*)
- Mr Nigel Cook (Treasurer) (*deceased 10 November 2017*)
- The Rev. John Conway (Convenor, Mission and Ministry Committee) (*resigned 22 June 2017*)
- Mrs Anne Pankhurst (*resigned 11 March 2017*)
- Ms Zoe van Zwanenberg (*resigned 11 March 2017*)
- The Rev. Canon Ian Paton (*resigned 17 March 2018*)
- The Rev. Canon Malcolm Round (*resigned 17 March 2018*)

New members of the Standing Committee are provided with an induction pack and receive relevant support for their role on appointment.

The remuneration of key personnel is determined on the basis of scales compiled by General Synod of the Scottish Episcopal Church.

The Standing Committee has two pendant committees. The Mission and Ministry Committee exists to encourage, accompany and resource local congregations and individuals on their journey of faith. Its remit also includes ministerial development. The Finance and Management Committee is concerned with the administration and day-to-day finances of the Diocese. It is responsible for the preparation of budgets and cash flows, the setting of Quota levels from Charges, and the preparation of the annual accounts. Each committee has a number of subsidiary committees reporting to it.

### **Reference and administrative details**

Reference and administrative details are given on page 2.

### **Conclusion**

The members of the Standing Committee would like to thank all those who contribute their time, energy and money so generously to ensure that the Diocese can continue to provide a central support and common link point to all the Charges within the Diocese.

ON BEHALF OF THE TRUSTEES



✘ John Edenburgen

**The Right Rev. Dr John Armes**

*Convenor, Standing Committee*

29 May 2018

## **Statement of responsibilities of the Members of the Standing Committee**

The Members of the Standing Committee, as charity trustees, are responsible for preparing the Annual Report and the Accounts in accordance with applicable law and the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015).

The law applicable to charities in Scotland requires the members of the Standing Committee to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Diocese and of its income and expenditure for that period. In preparing these accounts members of the Standing Committee are required to:

- select suitable accounting policies and apply them consistently;
- observe the methods and principles in the Charities Statement of Recommended Practice;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Diocese will continue in operation.

The members of the Standing Committee are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Diocese and enable them to ensure that the accounts comply with the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended) and the provisions of the Administrative Scheme for Edinburgh Diocesan Synod.

The members of the Standing Committee are also responsible for safeguarding the assets of the Diocese and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The members of the Standing Committee are responsible for the maintenance and integrity of the charity and financial information included on the diocesan website. Legislation in the United Kingdom governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

## **Independent auditor's report to the Standing Committee**



### **Opinion on accounts**

We have audited the accounts of the Diocese of Edinburgh Scottish Episcopal Church for the year ended 31 December 2017 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows and notes to the accounts, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the accounts:

- give a true and fair view of the state of the Diocese of Edinburgh's affairs as at 31 December 2017 and of its income and expenditure 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).

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the accounts section of our report. We are independent of the Diocese of Edinburgh in accordance with the ethical requirements that are relevant to our audit of the accounts in the UK, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the accounts is not appropriate; or
- the trustees have not disclosed in the accounts any identified material uncertainties that may cast significant doubt about the Diocese's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the accounts are authorised for issue.

### **Other information**

The trustees are responsible for the other information. The other information comprises the information included in the Report of the Standing Committee other than the accounts and our auditor's report thereon. Our opinion on the accounts does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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## **Independent auditor's report (continued)**

### **Other information (continued)**

In connection with our audit of the accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the accounts or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the accounts or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Matters on which we are required to report by exception**

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

- the information given in the Report of the Standing Committee is inconsistent in any material respect with the accounts; or
- proper accounting records have not been kept; or
- the accounts 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.

### **Responsibilities of trustees**

As explained more fully in the Statement of responsibilities of the Members of the Standing Committee on page 8, the trustees are responsible for the preparation of accounts which give a true and fair view.

In preparing the accounts, the trustees are responsible for assessing the ability of the Diocese to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the Diocese or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the accounts**

We have been appointed auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report to you in accordance with regulations made under that Act.

Our objectives are to obtain reasonable assurance about whether the accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these accounts.

A further description of our responsibilities for the audit of the accounts is located on the Financial Reporting Council's website at <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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## Independent auditor's report (continued)

### Use of our report

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 auditor's 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.



CHIENE + TAIT LLP  
*Chartered Accountants and Statutory Auditor*  
61 Dublin Street  
Edinburgh EH3 6NL  
27 June 2018

Chiene + Tait LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

## Statement of financial activities

### Year ended 31 December 2017

|  | Note | Unrestricted funds |                  |                  | Total funds      |                  |
|--|------|--------------------|------------------|------------------|------------------|------------------|
|  |      | General fund       | Designated funds | Restricted funds | 2017             | 2016             |
|  |      | £                  | £                | £                | £                | £                |
| <b>Income and endowments from</b>      |      |                    |                  |                  |                  |                  |
| Donations and legacies                 | 3    | 21,569             | -                | 5,106            | 26,675           | 26,315           |
| <b>Charitable activities</b>           |      |                    |                  |                  |                  |                  |
| Quota receipts due from Charges        | 4    | 484,063            | -                | -                | 484,063          | 478,464          |
| General Synod grant funding            |      | -                  | -                | 114,650          | 114,650          | 128,311          |
| Other grants and funding               |      | -                  | -                | 15,904           | 15,904           | 17,239           |
| Other charitable activities            |      | 9,843              | -                | -                | 9,843            | 9,215            |
|  |      | 493,906            | -                | 130,554          | 624,460          | 633,229          |
| Other trading activities               | 5    | 17,565             | -                | -                | 17,565           | 14,197           |
| Investments                            | 6    | 59,260             | 39,652           | 5,401            | 104,313          | 99,493           |
| <b>Total income and endowments</b>     |      | <b>592,300</b>     | <b>39,652</b>    | <b>141,061</b>   | <b>773,013</b>   | <b>773,234</b>   |
| <b>Expenditure on</b>                  |      |                    |                  |                  |                  |                  |
| <b>Raising funds</b>                   | 7    | 55                 | -                | -                | 55               | -                |
| <b>Charitable activities</b>           |      |                    |                  |                  |                  |                  |
| Quota paid to General Synod            | 8    | 277,461            | -                | -                | 277,461          | 269,378          |
| Mission and ministry activities        |      | 80,343             | 21,152           | 95,774           | 197,269          | 192,800          |
| Grants and bursaries                   |      | 1,449              | 5,500            | 25,369           | 32,318           | 48,203           |
| Information and communication          |      | 11,035             | -                | -                | 11,035           | 9,556            |
| Diocesan clergy                        |      | 70,924             | -                | 10,420           | 81,344           | 93,929           |
| Diocesan office                        |      | 144,342            | -                | -                | 144,342          | 134,246          |
| Governance                             |      | 19,299             | -                | -                | 19,299           | 23,759           |
|  |      | 604,853            | 26,652           | 131,563          | 763,068          | 771,871          |
| <b>Total expenditure</b>               |      | <b>604,908</b>     | <b>26,652</b>    | <b>131,563</b>   | <b>763,123</b>   | <b>771,871</b>   |
| Net operating income / (expenditure)   |      | (12,608)           | 13,000           | 9,498            | 9,890            | 1,363            |
| Gains on investment assets             | 9    | 13,529             | 456,122          | 26,043           | 495,694          | 342,397          |
| <b>Net income / (expenditure)</b>      |      | <b>921</b>         | <b>469,122</b>   | <b>35,541</b>    | <b>505,584</b>   | <b>343,760</b>   |
| Transfers between funds                | 10   | -                  | -                | -                | -                | -                |
| <b>Net movement in funds</b>           |      | <b>921</b>         | <b>469,122</b>   | <b>35,541</b>    | <b>505,584</b>   | <b>343,760</b>   |
| <b>Reconciliation of funds</b>         |      |                    |                  |                  |                  |                  |
| Total funds at 1 January 2017          |      | 131,691            | 3,722,488        | 209,183          | 4,063,362        | 3,719,602        |
| <b>Total funds at 31 December 2017</b> | 20   | <b>132,612</b>     | <b>4,191,610</b> | <b>244,724</b>   | <b>4,568,946</b> | <b>4,063,362</b> |

All income and expenditure derive from continuing activities.

All income, gains, expenditure and losses recognised in the period are included above.

Comparative information for all fund values presented above is given in the relevant note.

The notes on pages 15 to 27 form part of these accounts.

## Balance sheet

### 31 December 2017

|  | Note | Unrestricted funds |                  |                  | Total funds      |                  |
|--|------|--------------------|------------------|------------------|------------------|------------------|
|  |      | General fund       | Designated funds | Restricted funds | 2017             | 2016             |
|  |      | £                  | £                | £                | £                | £                |
| <b>Fixed assets</b>                            |      |                    |                  |                  |                  |                  |
| Tangible assets                                | 16   | 6,812              | 927,799          | -                | 934,611          | 937,299          |
| Investments                                    | 17   | 95,323             | 3,210,649        | 183,318          | 3,489,290        | 2,993,596        |
|  |      | 102,135            | 4,138,448        | 183,318          | 4,423,901        | 3,930,895        |
| <b>Current assets</b>                          |      |                    |                  |                  |                  |                  |
| Debtors  | 18   | 127,608            | 20,574           | 2,803            | 150,985          | 93,527           |
| Cash at bank and in hand                       |      | (42,225)           | 37,588           | 66,237           | 61,600           | 97,956           |
|  |      | 85,383             | 58,162           | 69,040           | 212,585          | 191,483          |
| <b>Liabilities</b>                             |      |                    |                  |                  |                  |                  |
| Creditors: amounts falling due within one year | 19   | 54,906             | 5,000            | 7,634            | 67,540           | 59,016           |
| <b>Net current assets</b>                      |      | 30,477             | 53,162           | 61,406           | 145,045          | 132,467          |
| <b>Total net assets</b>                        |      | <b>132,612</b>     | <b>4,191,610</b> | <b>244,724</b>   | <b>4,568,946</b> | <b>4,063,362</b> |
| <b>Funds of the charity</b>                    |      |                    |                  |                  |                  |                  |
| Restricted income funds                        |      | -                  | -                | 244,724          | 244,724          | 209,183          |
| <i>Unrestricted funds:</i>                     |      |                    |                  |                  |                  |                  |
| Designated funds                               |      | -                  | 4,191,610        | -                | 4,191,610        | 3,722,488        |
| General fund                                   |      | 132,612            | -                | -                | 132,612          | 131,691          |
| <b>Total charity funds</b>                     | 20   | <b>132,612</b>     | <b>4,191,610</b> | <b>244,724</b>   | <b>4,568,946</b> | <b>4,063,362</b> |

APPROVED FOR ISSUE BY THE STANDING COMMITTEE (TRUSTEES) ON 29 MAY 2018  
AND SIGNED ON THEIR BEHALF BY



✘ John Edenburgen  
The Right Rev. Dr John Armes  
Convenor, Standing Committee

The notes on pages 15 to 27 form part of these accounts.

**Statement of cash flows**  
**Year ended 31 December 2017**

|  | Note | £       | 2017<br>£        | £       | 2016<br>£        |
|--|------|---------|------------------|---------|------------------|
| <i>Cash flows from operating activities</i>                        |      |         |                  |         |                  |
| Net cash (used in) operating activities                            | 23   |         | <b>(136,789)</b> |         | <b>(100,812)</b> |
| <i>Cash flows from investing activities</i>                        |      |         |                  |         |                  |
| Dividends, interest and rents from investments                     |      | 100,433 |                  | 99,493  |                  |
| Purchase of property and equipment                                 |      | -       |                  | (3,525) |                  |
| Net cash provided by investing activities                          |      |         | <b>100,433</b>   |         | <b>95,968</b>    |
| <i>Change in cash and cash equivalents in the reporting period</i> |      |         | <b>(36,356)</b>  |         | <b>(4,844)</b>   |
| Cash and cash equivalents at the beginning of the reporting period |      |         | 97,956           |         | 102,800          |
| Cash and cash equivalents at the end of the reporting period       |      |         | <b>61,600</b>    |         | <b>97,956</b>    |

The notes on pages 15 to 27 form part of these accounts.

## Notes to the accounts

### Year ended 31 December 2017

#### 1. Accounting policies

##### a) Basis of preparation

These accounts have been prepared under the historical cost convention as modified by the revaluation of investment assets, and are in accordance with the Statement of Recommended Practice (SORP) Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015), The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), and the Charities Accounts (Scotland) Regulations 2006 (as amended).

The Diocese constitutes a public benefit entity as defined by FRS102.

##### b) Going concern

The accounts have been prepared on a going concern basis. The members of the Standing Committee have assessed the ability of the Diocese to continue as a going concern and have reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for at least 12 months from the date of approving the accounts. They thus continue to adopt the going concern basis of accounting in preparing these accounts.

##### c) Fund accounting

Unrestricted funds may be used at the discretion of Standing Committee to further any of the purposes of the Diocese, including to supplement expenditure from restricted funds. Standing Committee may choose to set aside part of the unrestricted funds as a designated fund for a particular future project or commitment.

Restricted funds can lawfully only be used for the purpose specified by the donor or resulting from the terms of an appeal. Some restricted funds may be capital funds in that only the income of the fund may be expended to further the objectives of the Diocese.

Details concerning the main funds of the Diocese are given in note 20.

##### d) Recognition of income

Income is recognised in the statement of financial activities when the Diocese becomes entitled to the income, there is probability of receipt, and its monetary value, including any associated costs, can be measured reliably. Income is deferred where it relates to activities or services delivered in a later accounting period.

*Income from donations and legacies* includes donations, legacies and grants which are of a general nature. In the case of legacy income where there is uncertainty as to amount, the fair value of the income receivable may be estimated on the basis of available information.

*Income from charitable activities* comprises quota receivable from Charges, grants to support the activities of the Diocese, and income derived from courses, retreats and conferences which further the purposes of the Diocese.

*Income from other trading activities* includes receipts from activities which are not part of the main objectives of the Diocese. This includes income from sub-letting office space and recoveries in respect of use of office resources.

*Income from investments*, derived from securities, deposits and let property, is recognised as it falls due.

*Other income* comprises income that cannot be reported under any other heading.

## Notes to the accounts (continued)

### Year ended 31 December 2017

#### 1. Accounting policies (continued)

##### e) Recognition of expenditure

Expenditure is accounted for on an accruals basis, being recognised when there is a legal or constructive obligation to pay, probability that settlement will be required, and the amount can be measured or estimated reliably.

*Expenditure on raising funds* includes costs of investment management, including agents' fees and maintenance costs incurred on let property.

*Expenditure on charitable activities* includes all costs incurred in undertaking the charitable objectives of the Diocese. This includes costs directly incurred by the Diocese, and stipend support costs and grants awarded to congregations and individuals.

Liability for grants payable is recognised at the time of the grant being awarded.

Governance costs represent the costs associated with general running of the Diocese as opposed to costs associated with charitable activities. These include external scrutiny, legal advice, Synod and committee meetings, honoraria paid to diocesan officials, and other costs associated with constitutional and statutory requirements. They include costs associated with strategic as opposed to day to day management of activities.

##### f) Allocation of support and governance costs

There is considered to be one sole activity, the mission and ministry of the Christian Church. Therefore, support costs (including governance) are presented as an additional component of expenditure on charitable activities without apportionment to specific projects.

Rentals paid under operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged as an expense on a straight line basis over the period of the lease, even if the payments are not made on such a basis.

##### g) Taxation

The Diocese is a registered Scottish charity exempt from tax on income and gains applied to charitable purposes. Income tax is recoverable in respect of gift-aided donations. The Diocese is not registered for Value Added Tax and is therefore unable to reclaim VAT incurred on expenditure, which is therefore shown gross of this irrecoverable VAT.

*Heritable property* is valued at cost to the Diocese. The Standing Committee considers that the cost of carrying out a professional valuation to include properties in the accounts at valuation would be disproportionate to any additional benefit derived by users of these accounts. The properties are not depreciated in the accounts as residual value is deemed sufficiently high that any depreciation would be immaterial.

*Fittings* are written off to revenue in the year of acquisition.

*Equipment* with a purchase price greater than £2,000 is capitalised and depreciated over its assessed useful economic life on a straight-line basis. Other equipment is written off to revenue in the year of acquisition.

##### h) Financial instruments

The Diocese carries only basic financial assets and liabilities. These may comprise investments in securities, amounts receivable and payable, and cash deposited with banks. Financial assets and liabilities are initially valued at cost; subsequently, investment assets are valued at market valuation (excluding any costs of realisation or disposal) and other assets and liabilities are valued at the best estimate of settlement amount.

## Notes to the accounts (continued)

### Year ended 31 December 2017

#### 1. Accounting policies (continued)

##### i) Investment assets

The Diocese owns one social investment property: a former church building, St Andrew's, Niddrie, which is leased to a community arts group. The Diocese intends to continue to use this asset to support community and social projects in the area. This asset is recorded in the accounts with a notional value of £100.

Investments in securities (or ones valued by reference to such investments, such as unit trusts) are recorded at market valuation.

##### j) Gains and losses

Realised gains and losses on security investments are calculated as the difference between the net sales proceeds and their valuation at the start of the year (or subsequent cost) and are recognised in the statement of financial activities in the year of disposal.

Unrealised gains and losses represent the movement in market valuation during the year and are recognised in the statement of financial activities based on market valuation at the year end.

##### k) Retirement benefits

The Scottish Episcopal Church operates a defined benefit non-contributory pension scheme. The Diocese pays contributions to this multi-employer scheme in respect of its stipendiary clergy and administrative staff. Contributions to the scheme are set at rates designed to spread the cost of pensions over the working lives of its members, and are charged in the accounts on a due and payable basis. The rate of contributions is determined by a qualified actuary. The amount of the charge for the year is disclosed in note 12.

#### 2. Related party transactions

The nature of the Diocese requires that it has many financial transactions with the General Synod of the Scottish Episcopal Church and with Charges in the Diocese. As members of the Diocesan Standing Committee are connected with their respective local church congregations and certain members are also members of Boards and Committees of the General Synod, these bodies are related parties under FRS 102, and transactions with them are "related party transactions". The governance procedures of the Diocese and of General Synod require that members of all Boards and Committees declare their interest in any grant or loan application prior to its discussion by the Board or Committee.

FRS 102 requires disclosure of material related party transactions and year end balances with related parties. In the case of the accounts of the Diocese, these are for the most part separately disclosed in the statement of financial activities, the balance sheet or in the notes to the accounts. To reduce the volume of information given, FRS 102 permits aggregation of transactions of a similar nature. This practice has been followed in relation to quota from local congregations, and balances due in respect of the payroll bureau service.

As regards General Synod, the Diocese pays quota to and receives grants from General Synod. The Diocese also rents office space from General Synod at a cost of £20,189 (2016: £20,189). As regards local congregations, the Diocese receives quota from and pays grants to individual congregations. A central payroll bureau service and use of central office facilities are offered to congregations, for which nominal charges are made. Balances due by and to congregations in respect of quota and the payroll bureau service are disclosed in notes 18 and 19.

The total amount of unconditional donations received from trustees or other related parties was £1,320 (2016: £1,320).

## Notes to the accounts (continued)

### Year ended 31 December 2017

#### 3. Income from donations and legacies

|   | General fund  | Designated funds | Restricted funds | Total funds   |               |
|---|---------------|------------------|------------------|---------------|---------------|
|   | £             | £                | £                | 2017          | 2016          |
|   |               |                  |                  | £             | £             |
| Donations and gifts                             |               |                  |                  |               |               |
| Allchurches Trust                               | 18,981        | -                | -                | 18,981        | 18,981        |
| Other donations and gifts                       | 2,588         | -                | 5,106            | 7,694         | 6,834         |
| Legacies  | -             | -                | -                | -             | 500           |
| <b>Total income from donations and legacies</b> | <b>21,569</b> | <b>-</b>         | <b>5,106</b>     | <b>26,675</b> | <b>26,315</b> |
| <i>Fund totals 2016</i>                         | <i>22,093</i> | <i>-</i>         | <i>4,222</i>     | <i>26,315</i> |               |

#### 4. Income from charitable activities

|  | General fund   | Designated funds | Restricted funds | Total funds    |                |
|--|----------------|------------------|------------------|----------------|----------------|
|  | £              | £                | £                | 2017           | 2016           |
|  |                |                  |                  | £              | £              |
| <b>Quota receipts due from Charges</b>         | <b>484,063</b> | <b>-</b>         | <b>-</b>         | <b>484,063</b> | <b>478,464</b> |
| <b>General Synod grant funding</b>             |                |                  |                  |                |                |
| Mission and ministry support grant             | -              | -                | 27,493           | 27,493         | 23,823         |
| Curate support grants                          | -              | -                | 70,252           | 70,252         | 70,203         |
| Ministry development service                   | -              | -                | -                | -              | 18,225         |
| Dunderdale funds:                              |                |                  |                  |                |                |
| Endowment of bishoprics                        | -              | -                | 8,500            | 8,500          | 8,480          |
| Endowment of charges                           | -              | -                | 5,880            | 5,880          | 5,660          |
| Dean's allowance                               | -              | -                | 1,920            | 1,920          | 1,920          |
| Other funding                                  | -              | -                | 605              | 605            | -              |
|  | -              | -                | 114,650          | 114,650        | 128,311        |
| <b>Other grants and funding</b>                |                |                  |                  |                |                |
| Walker Trust                                   | -              | -                | 15,904           | 15,904         | 17,239         |
| <b>Other charitable activities</b>             |                |                  |                  |                |                |
| IME course fees                                | 199            | -                | -                | 199            | 435            |
| Clergy conference                              | 5,400          | -                | -                | 5,400          | 5,465          |
| Adventures in Faith                            | 2,977          | -                | -                | 2,977          | 3,230          |
| Diocesan retreat                               | 1,100          | -                | -                | 1,100          | -              |
| Youth and children's events                    | 167            | -                | -                | 167            | 85             |
|  | 9,843          | -                | -                | 9,843          | 9,215          |
| <b>Total income from charitable activities</b> | <b>493,906</b> | <b>-</b>         | <b>130,554</b>   | <b>624,460</b> | <b>633,229</b> |
| <b>Fund totals 2016:</b>                       |                |                  |                  |                |                |
| Quota receipts due from Charges                | 478,464        | -                | -                | 478,464        |                |
| General Synod grant funding                    | -              | -                | 128,311          | 128,311        |                |
| Other grants and funding                       | -              | -                | 17,239           | 17,239         |                |
| Other charitable activities                    | 9,215          | -                | -                | 9,215          |                |
|  | 487,679        | -                | 145,550          | 633,229        |                |

**Notes to the accounts (continued)**  
**Year ended 31 December 2017**

**5. Income from other trading activities**

|   | General fund  | Designated funds | Restricted funds | Total funds   |               |
|---|---------------|------------------|------------------|---------------|---------------|
|   | £             | £                | £                | 2017          | 2016          |
|   |               |                  |                  | £             | £             |
| Office earnings                                   | 17,565        | -                | -                | 17,565        | 14,197        |
| <b>Total income from other trading activities</b> | <b>17,565</b> | <b>-</b>         | <b>-</b>         | <b>17,565</b> | <b>14,197</b> |
| <i>Fund totals 2016</i>                           | <i>14,197</i> | <i>-</i>         | <i>-</i>         | <i>14,197</i> |               |

**6. Income from investments**

|                                      | General fund  | Designated funds | Restricted funds | Total funds    |               |
|--------------------------------------|---------------|------------------|------------------|----------------|---------------|
|                                      | £             | £                | £                | 2017           | 2016          |
|                                      |               |                  |                  | £              | £             |
| Listed securities and unit trusts    | 57,751        | 39,652           | 5,401            | 102,804        | 97,955        |
| Cash deposits                        | 9             | -                | -                | 9              | 38            |
| Investment properties                | 1,500         | -                | -                | 1,500          | 1,500         |
| <b>Total income from investments</b> | <b>59,260</b> | <b>39,652</b>    | <b>5,401</b>     | <b>104,313</b> | <b>99,493</b> |
| <i>Fund totals 2016</i>              | <i>56,565</i> | <i>37,782</i>    | <i>5,146</i>     | <i>99,493</i>  |               |

**7. Raising funds**

|                           | General fund | Designated funds | Restricted funds | Total funds |          |
|---------------------------|--------------|------------------|------------------|-------------|----------|
|                           | £            | £                | £                | 2017        | 2016     |
|                           |              |                  |                  | £           | £        |
| Investment properties     | 55           | -                | -                | 55          | -        |
| <b>Total other income</b> | <b>55</b>    | <b>-</b>         | <b>-</b>         | <b>55</b>   | <b>-</b> |
| <i>Fund totals 2016</i>   | <i>-</i>     | <i>-</i>         | <i>-</i>         | <i>-</i>    |          |

## Notes to the accounts (continued)

### Year ended 31 December 2017

#### 8. Expenditure on charitable activities

| Note                                       | General fund | Designated funds | Restricted funds | Total funds |           |
|--|--------------|------------------|------------------|-------------|-----------|
|  | £            | £                | £                | 2017<br>£   | 2016<br>£ |
| <b>Quota paid to General Synod</b>         | 277,461      | -                | -                | 277,461     | 269,378   |
| <b>Mission and ministry activities</b>     |              |                  |                  |             |           |
| Ministry development:                      |              |                  |                  |             |           |
| Stipends and salaries                      | 19,804       | -                | 24,196           | 44,000      | 28,540    |
| Other costs                                | 14,891       | 15,368           | -                | 30,259      | 31,962    |
| Clergy conference                          | 15,000       | -                | -                | 15,000      | 14,125    |
| Diocesan retreat                           | 2,460        | -                | -                | 2,460       | -         |
| Youth and children:                        |              |                  |                  |             |           |
| Salaries                                   | 22,808       | -                | -                | 22,808      | 22,403    |
| Other costs                                | 1,321        | -                | -                | 1,321       | 2,046     |
| International links                        | -            | -                | -                | -           | 2,459     |
| Curate stipends                            | -            | -                | 70,252           | 70,252      | 70,203    |
| Local ministry                             | 2,246        | 5,784            | 1,326            | 9,356       | 19,472    |
| Chaplaincies                               | 1,813        | -                | -                | 1,813       | 1,590     |
|  | 80,343       | 21,152           | 95,774           | 197,269     | 192,800   |
| <b>Grants and bursaries</b>                |              |                  |                  |             |           |
| Grants for congregations                   | -            | 5,500            | 9,237            | 14,737      | 20,480    |
| Walker Trust grants and bursaries          | -            | -                | 11,704           | 11,704      | 13,839    |
| Other grants and bursaries                 | 1,449        | -                | 4,428            | 5,877       | 13,884    |
|  | 1,449        | 5,500            | 25,369           | 32,318      | 48,203    |
| <b>Information and communication</b>       |              |                  |                  |             |           |
| Communications co-ordinator                | 6,010        | -                | -                | 6,010       | 5,400     |
| The Edge (diocesan magazine)               | 3,776        | -                | -                | 3,776       | 3,666     |
| Website development and delivery           | 1,249        | -                | -                | 1,249       | 490       |
|  | 11,035       | -                | -                | 11,035      | 9,556     |
| <b>Diocesan clergy</b>                     |              |                  |                  |             |           |
| Bishop:                                    |              |                  |                  |             |           |
| Stipend                                    | 40,241       | -                | 8,500            | 48,741      | 48,467    |
| Residence                                  | 11,083       | -                | -                | 11,083      | 23,191    |
| Expenses                                   | 6,672        | -                | -                | 6,672       | 8,375     |
| Dean (expenses and congregation allowance) | 12,928       | -                | 1,920            | 14,848      | 13,896    |
|  | 70,924       | -                | 10,420           | 81,344      | 93,929    |
| <b>Diocesan office</b>                     |              |                  |                  |             |           |
| Support staff salaries                     | 69,993       | -                | -                | 69,993      | 67,254    |
| Training and expenses                      | 1,352        | -                | -                | 1,352       | 524       |
| Premises costs                             | 29,841       | -                | -                | 29,841      | 34,575    |
| Administration                             | 25,699       | -                | -                | 25,699      | 22,174    |
| Equipment maintenance                      | 14,769       | -                | -                | 14,769      | 7,031     |
| Equipment depreciation                     | 2,688        | -                | -                | 2,688       | 2,688     |
|  | 144,342      | -                | -                | 144,342     | 134,246   |
| Carried forward                            | 585,554      | 26,652           | 131,563          | 743,769     | 748,112   |

## Notes to the accounts (continued)

### Year ended 31 December 2017

#### 8. Expenditure on charitable activities (continued)

|   | Note | General fund<br>£ | Designated funds<br>£ | Restricted funds<br>£ | Total funds<br>2017<br>£ | Total funds<br>2016<br>£ |
|---|------|-------------------|-----------------------|-----------------------|--------------------------|--------------------------|
| brought forward                                   |      | 585,554           | 26,652                | 131,563               | 743,769                  | 748,112                  |
| <b>Governance</b>                                 |      |                   |                       |                       |                          |                          |
| Synod and committee expenses                      |      | 2,428             | -                     | -                     | 2,428                    | 2,112                    |
| Honoraria to diocesan officials                   |      | 4,500             | -                     | -                     | 4,500                    | 9,000                    |
| Auditors' remuneration                            | 15   | 3,801             | -                     | -                     | 3,801                    | 3,754                    |
| Legal fees and expenses                           |      | 8,570             | -                     | -                     | 8,570                    | 8,892                    |
|   |      | 19,299            | -                     | -                     | 19,299                   | 23,759                   |
| <b>Total expenditure on charitable activities</b> |      | <b>604,853</b>    | <b>26,652</b>         | <b>131,563</b>        | <b>763,068</b>           | <b>771,871</b>           |
| <b>Fund totals 2016:</b>                          |      |                   |                       |                       |                          |                          |
| Quota paid to General Synod                       |      | 269,378           | -                     | -                     | 269,378                  |                          |
| Mission and ministry activities                   |      | 68,692            | 11,164                | 112,944               | 192,800                  |                          |
| Grants and bursaries                              |      | 4,406             | 11,500                | 32,297                | 48,203                   |                          |
| Information and communication                     |      | 9,556             | -                     | -                     | 9,556                    |                          |
| Diocesan clergy                                   |      | 83,529            | -                     | 10,400                | 93,929                   |                          |
| Diocesan office                                   |      | 134,246           | -                     | -                     | 134,246                  |                          |
| Governance  |      | 23,759            | -                     | -                     | 23,759                   |                          |
|   |      | 593,566           | 22,664                | 155,641               | 771,871                  |                          |

#### 9. Gains on investment assets

|   | General fund<br>£ | Designated funds<br>£ | Restricted funds<br>£ | Total funds<br>2017<br>£ | Total funds<br>2016<br>£ |
|---|-------------------|-----------------------|-----------------------|--------------------------|--------------------------|
| Unrealised gains on revaluation of securities | 13,529            | 456,122               | 26,043                | 495,694                  | 342,397                  |
|   | <b>13,529</b>     | <b>456,122</b>        | <b>26,043</b>         | <b>495,694</b>           | <b>342,397</b>           |
| <i>Fund totals 2016</i>                       | 9,344             | 315,064               | 17,989                | 342,397                  |                          |

#### 10. Transfers between funds

There were no transfers in 2017

|                         | General fund<br>£ | Designated funds<br>£ | Restricted funds<br>£ | Total funds<br>2016<br>£ |
|-------------------------|-------------------|-----------------------|-----------------------|--------------------------|
| <i>Fund totals 2016</i> | (3,525)           | 3,525                 | -                     | -                        |

## Notes to the accounts (continued)

### Year ended 31 December 2017

#### 11. Trustee remuneration, benefits and expenses

No Trustee or member of the Standing Committee received remuneration or benefits in respect of service as trustee.

The following members of the Standing Committee received remuneration in respect of other service to the Diocese:

| Name of trustee              | Why remuneration paid   | Remuner-      | Pension            |
|------------------------------|---|---------------|--------------------|
|                              |   | ation<br>paid | contri-<br>butions |
|                              |   | £             | £                  |
| The Right Rev. Dr John Armes | Stipend paid for service as Bishop of the Diocese                                 | 38,160        | 8,192              |
| Mr Nigel Cook's estate       | Honorarium for service as Diocesan Treasurer                                      | 4,500         | -                  |
| Mr Colin Heggie              | Fees paid (including Value Added Tax) in respect of service as Diocesan Registrar | 2,000         | -                  |

Remuneration paid to the Bishop conforms to scales determined by the General Synod of the Scottish Episcopal Church. Remuneration for service as Bishop also includes the benefit of rent-free residential accommodation, in respect of which the Diocese pays Council Tax.

No expenses were paid to trustees during 2017. Expenses totalling £4, incurred on travelling to Synod and Trustee meetings were reimbursed to one trustee during 2016.

No other trustee received remuneration in any respect, nor reimbursement of expenses in respect of performance of duties as trustee.

#### 12. Staff costs and key management personnel

|   | 2017           | 2016           |
|---|----------------|----------------|
|   | £              | £              |
| Gross stipends and salaries                               | 137,151        | 124,013        |
| Social security costs                                     | 8,676          | 7,162          |
| Employer's contribution to defined benefit pension scheme | 40,397         | 35,489         |
|   | <b>186,224</b> | <b>166,664</b> |

| <i>Average numbers employed during the year</i> | Average headcount |             | Full-time equivalent |             |
|---|-------------------|-------------|----------------------|-------------|
|   | 2017              | 2016        | 2017                 | 2016        |
| Clergy (Bishop)                                 | 1.00              | 1.00        | 1.00                 | 1.00        |
| Mission and ministry                            | 3.31              | 2.68        | 2.19                 | 1.54        |
| Administration                                  | 3.15              | 2.65        | 1.84                 | 2.10        |
|   | <b>7.46</b>       | <b>6.33</b> | <b>5.03</b>          | <b>4.64</b> |

No employee received emoluments greater than £60,000.

The foregoing excludes a communications co-ordinator engaged on a contractor basis.

The Diocese considers its key management personnel to comprise the members of the Standing Committee. Details of remuneration and benefits paid are disclosed in note 11.

## Notes to the accounts (continued)

### Year ended 31 December 2017

#### 13. Retirement benefits

All employees of the Diocese are eligible to join the Scottish Episcopal Church Pension Fund which is a non contributory defined benefit scheme. The Diocese is unable to identify its share of the underlying assets and liabilities of the Fund on a consistent and reasonable basis and so accounts for its contributions as if the scheme were a defined contribution scheme.

With effect from 1 January 2014, pensionable retirement age was increased to 67, and the annual increase in pensionable salary was capped at the increase in the retail prices index.

The latest valuation as at 31 December 2014 disclosed that the past service deficit has been eliminated and that the Fund was in surplus by £1.3 million. As a result of the changes introduced on 1 January 2014, the cost of future benefit accrual has been reduced and the contribution rate was reduced to 32.2% of pensionable remuneration with effect from 1 January 2016.

There were no unpaid contributions outstanding at 31 December 2017 payable by the Standing Committee.

#### 14. Operating lease rentals

Diocesan office expenditure includes the following payments of operating lease rentals:

|                                | 2017          | 2016          |
|--------------------------------|---------------|---------------|
|                                | £             | £             |
| Amounts payable in respect of: |               |               |
| hire of plant and machinery    | 1,728         | 2,595         |
| other operating leases         | 31,889        | 20,189        |
|                                | <b>33,617</b> | <b>22,784</b> |

#### 15. Auditors' remuneration

|                           | 2017         | 2016         |
|---------------------------|--------------|--------------|
|                           | £            | £            |
| In respect of:            |              |              |
| Audit                     | 3,801        | 3,754        |
| Other accounting services | 1,800        | -            |
|                           | <b>5,601</b> | <b>3,754</b> |

#### 16. Tangible fixed assets held for use by the Diocese

|                                 | Land &<br>buildings | Office<br>equipment | Total          |
|---------------------------------|---------------------|---------------------|----------------|
|                                 | £                   | £                   | £              |
| <b>Cost</b>                     |                     |                     |                |
| At 1 January 2017               | 927,799             | 13,440              | 941,239        |
| Additions                       | -                   | -                   | -              |
| At 31 December 2017             | <b>927,799</b>      | <b>13,440</b>       | <b>941,239</b> |
| <b>Accumulated depreciation</b> |                     |                     |                |
| At 1 January 2017               | -                   | 3,940               | 3,940          |
| Charge for year                 | -                   | 2,688               | 2,688          |
| At 31 December 2017             | <b>-</b>            | <b>6,628</b>        | <b>6,628</b>   |
| Continued overleaf              |                     |                     |                |

## Notes to the accounts (continued)

### Year ended 31 December 2017

#### 16. Tangible fixed assets held for use by the Diocese (continued)

|                       | Land &<br>buildings<br>£ | Office<br>equipment<br>£ | Total<br>£ |
|-----------------------|--------------------------|--------------------------|------------|
| <i>Net book value</i> |                          |                          |            |
| At 31 December 2017   | 927,799                  | 6,812                    | 934,611    |
| At 31 December 2016   | 927,799                  | 9,500                    | 937,299    |

The Diocese owns the Bishop's residence which is shown here at historic cost and is not depreciated. No impairment provision has been made in the accounts as the Standing Committee believes that the value of the property is in excess of the book value.

#### 17. Investment assets

|                                    | Social<br>investment<br>property<br>£ | Listed<br>securities<br>and unit<br>trusts<br>£ | Total<br>£       |
|------------------------------------|---------------------------------------|---|------------------|
| <i>Cost or valuation</i>           |                                       |   |                  |
| Carrying value at 1 January 2017   | 100                                   | 2,993,496                                       | 2,993,596        |
| Unrealised gain on revaluation     | -                                     | 495,694   | 495,694          |
| Carrying value at 31 December 2017 | <b>100</b>                            | <b>3,489,190</b>                                | <b>3,489,290</b> |

The social investment property is leased to a community arts group in Craigmillar and is included at a notional value of £100.

Investments in securities (or ones valued by reference to such investments, such as unit trusts) are shown at market valuation. All security investments are held in the Scottish Episcopal Church Unit Trust Pool.

The investment policy of the Diocese is described in the Report of the Standing Committee.

#### 18. Debtors

|  | 2017<br>£      | 2016<br>£     |
|--|----------------|---------------|
| Accrued investment income                | 53,342         | 49,462        |
| Quota receipts from Charges in arrears   | 19,255         | 884           |
| Payroll bureau balances due from Charges | 2,223          | 127           |
| Other debtors and prepayments            | 76,165         | 43,054        |
|  | <b>150,985</b> | <b>93,527</b> |

All amounts fall due within one year.

## Notes to the accounts (continued)

### Year ended 31 December 2017

#### 19. Creditors: amounts falling due within one year

|  | 2017          | 2016          |
|--|---------------|---------------|
|  | £             | £             |
| Grants awarded                         | 11,545        | 13,500        |
| Quota receipts from Charges in advance | 3,647         | 9,790         |
| Payroll bureau balances due to Charges | 5,588         | 5,235         |
| Accruals and deferred income           | 13,079        | 5,755         |
| Taxation and social security           | 6,132         | 5,707         |
| Lent appeal funds owed                 | 156           | 1,362         |
| Other creditors                        | 27,393        | 17,667        |
|  | <b>67,540</b> | <b>59,016</b> |

#### Lent appeal funds

Lent appeal funds represent unexpended funds raised for the Bishop's annual Lent Appeal. Income is not shown in the statement of financial activities as it is collected by the Diocese on behalf of nominated recipients. The corresponding asset is included within cash at bank in the balance sheet.

During 2017 £11,541 was contributed to the appeal by congregations in the diocese. Payments were made to St John & City Defibrillator Project (£5,720), which seeks to provide defibrillators on all Edinburgh Trams, and to Collective Calling (£5,820), a small humanitarian organisation, providing relief for migrant camps in Greece and Serbia.

#### Trust funds

Included within other creditors is the sum of £12,854 (2016: £11,105) relating to five small trusts with purposes related to the Scottish Episcopal Church. The diocesan property trustees comprise the trustees of the trusts concerned, which are administered by the Diocese. The corresponding asset is a designated trusts bank account included within cash at bank in the balance sheet.

#### 20. Funds and summary of fund movements

##### Restricted funds:

The Bishop's discretionary fund provides grants for the benefit of individual diocesan clergy and also assists other beneficiaries and projects.

Funds for the benefit of Charges relate to the Charges at Livingston and Rosslyn.

The Walker bursary fund receives grants from the Walker Trust to provide bursaries for theological education.

Other restricted funds represent a number of small disparate funds.

##### Unrestricted funds:

Home and overseas mission funds hold investments which provide income to support the mission of the Diocese (and so investment income is treated as unrestricted in the Statement of Financial Activities).

The Episcopal residence fund represents the value of the Episcopal residence.

Diocesan projects funds represent funds accumulated to assist Charges within the Diocese with mission projects (the St Hilda's fund), and buildings maintenance (the St Andrew's fund).

Continued overleaf

## Notes to the accounts (continued)

### Year ended 31 December 2017

#### 20. Funds and summary of fund movements (continued)

|  | Brought forward  | Net operating income/ (expense) | Gains / (losses) | Transfers | Carried forward  |
|--|------------------|---------------------------------|------------------|-----------|------------------|
|  | £                | £                               | £                | £         | £                |
| <b>Restricted funds</b>                                  |                  |                                 |                  |           |                  |
| Bishop's discretionary fund (including Pitcairn library) | 121,033          | 3,907                           | 15,563           | -         | 140,503          |
| Funds for the benefit of specific Charges                | 49,558           | 780                             | 7,245            | -         | 57,583           |
| Walker Bursary Fund                                      | 27,468           | 4,783                           | 2,811            | -         | 35,062           |
| Other restricted funds                                   | 11,124           | 28                              | 424              | -         | 11,576           |
|  | <b>209,183</b>   | <b>9,498</b>                    | <b>26,043</b>    | <b>-</b>  | <b>244,724</b>   |
| <b>Unrestricted funds</b>                                |                  |                                 |                  |           |                  |
| <i>Capital funds:</i>                                    |                  |                                 |                  |           |                  |
| Home mission funds                                       | 1,588,765        | -                               | 263,083          | -         | 1,851,848        |
| Overseas mission funds                                   | 11,158           | -                               | 1,848            | -         | 13,006           |
| Episcopal residence fund                                 | 927,799          | -                               | -                | -         | 927,799          |
| <i>Revenue funds:</i>                                    |                  |                                 |                  |           |                  |
| Diocesan projects funds                                  | 1,194,766        | 13,000                          | 191,191          | -         | 1,398,957        |
|  | <b>3,722,488</b> | <b>13,000</b>                   | <b>456,122</b>   | <b>-</b>  | <b>4,191,610</b> |
| General fund   | 131,691          | (12,608)                        | 13,529           | -         | 132,612          |
|  | <b>3,854,179</b> | <b>392</b>                      | <b>469,651</b>   | <b>-</b>  | <b>4,324,222</b> |
| <b>Total funds</b>                                       | <b>4,063,362</b> | <b>9,890</b>                    | <b>495,694</b>   | <b>-</b>  | <b>4,568,946</b> |

#### 21. Commitments under operating leases

At 31 December 2017 the total future minimum lease payments in respect of non-cancellable operating leases were as follows:

|   | £              |
|---|----------------|
| Amounts payable:                                    |                |
| not later than one year                             | 33,617         |
| later than one year and not later than five years   | 136,989        |
| later than five years                               | -              |
| <b>Total future commitments at 31 December 2017</b> | <b>170,606</b> |

#### 22. Contingent liabilities

From time to time the Diocese is required to provide guarantees to third parties in respect of grants or loans advanced to Charges in the Diocese. In the event of non-performance in respect of a grant or non-payment of sums falling due in respect of a loan, the Diocese would have a legal obligation to pay any such sums due by the Charge. Obligations of this nature constitute a contingent liability of the Diocese.

**Notes to the accounts (continued)**  
**Year ended 31 December 2017**

**23. Reconciliation of net income to net cash flow from operating activities**

|  | <b>2017</b>             | <b>2016</b>             |
|--|-------------------------|-------------------------|
|  | £                       | £                       |
| Net income for the reporting period<br>(as shown in the statement of financial activities) | 505,584                 | 343,760                 |
| Adjustments for non-cash transactions and investing or financing activities:               |                         |                         |
| Depreciation charges   | 2,688                   | 2,688                   |
| (Gains) on investment assets   | (495,694)               | (342,397)               |
| Dividends, interest and rents from investments   | (104,313)               | (99,493)                |
| Changes in non-cash balances:  |                         |                         |
| (Increase) / decrease in debtors   | (53,578)                | 1,692                   |
| Increase / (decrease) in creditors   | 8,524                   | (7,062)                 |
| <b><i>Net cash (used in) operating activities</i></b>                                      | <b><u>(136,789)</u></b> | <b><u>(100,812)</u></b> |