



The Church of Scotland



Living STONES

The Church of Scotland Unincorporated Councils and Committees

Annual Report and Accounts 2014



Heart and Soul



St Monans Kirk, Fife



Heart and Soul Swing Band



The Liberton Vaulters are receiving funding from Go For It to increase confidence in young people

contents

Trustees' Report

02 | Foreword

03 | Overview

04 | The Year in Brief

08 | Objectives and Activities

30 | Accountability

36 | Financial Review

43 | Auditors' Report

45 | Financial Statements

75 | Reference and
Administrative Details

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Foreword

Letter from Grant Barclay: Convener

As a parish minister in Kilmarnock as well as Convener of the Council of Assembly (and a deputy Presbytery Clerk too) I am in the particularly privileged position of being able to see the impact of the Church's work at local, regional and national level.



I watch people struggle with poverty or illness or loneliness or despair and I see the love and care that is offered unconditionally by members of the Church. I see the efforts made at Presbytery level to support local congregations in their work of mission and witness and I benefit from the warm support of a local congregation and of neighbouring ministers in my own denomination and beyond. And

then I travel to Edinburgh for Council and Committee meetings and meet there, not uncaring bureaucracy or an inflexible rulebook, but a bunch of people who are passionate about the Gospel and who want to make a difference to the lives of people in Scotland and elsewhere in the world. The Council of Assembly, and all the other Councils and Committees who make up the Unincorporated Councils and Committees, and the staff who serve them, are dedicated to the careful management and best use of the resources which are so generously and sacrificially given by people all over Scotland and beyond. I am happy to dedicate my time as Convener to the oversight of this process, not because I am addicted to governance for its own sake but because I firmly believe that the wider Church and the people we serve require to have confidence in the institution.

The details in this report and the financial information tell an important story but a single publication cannot fully convey the challenge and joy found in the Lord's service. If you have not already experienced this for yourself, why not try it out? I can guarantee that there will be a congregation near you, working for the Kingdom and ready and willing to welcome you.

I thank congregation members, Presbytery representatives and those also who add to their local responsibilities by serving on a national committee. Together, all living stones, we can fulfil Christ's mission to the world.

Rev Dr Grant Barclay
Convener, Council of Assembly

Come to Jesus, a living stone, though rejected by mortals yet chosen and precious in God's sight, and like living stones, let yourselves be built into a spiritual house, to be a holy priesthood, to offer spiritual sacrifices acceptable to God through Jesus Christ.

I Peter 2: 4-5

Overview

The Trustees are pleased to present their report, together with the audited consolidated financial statements of the Unincorporated Councils and Committees, for the year ended 31 December 2014.

The Church of Scotland is a national Church embedded in the social fabric of Scottish public life for 450 years. It was structured to function as a central part of the wider social and civic framework of Scotland and has always been critically engaged with Government and society. The Church of Scotland now finds itself conducting its ministry and mission in changing and sometimes challenging circumstances but we continue to believe that lives and our life together as a society can be changed by the love and grace of Jesus Christ. We will continue to give priority to sharing that Good News.

The Church of Scotland is rich in resources and people. We have some 400,000 members. There are over 800 Ministers of Word and Sacrament. Over 400 Readers, Deacons and Ordained Local Ministers play a significant role in leading worship and service, and around 30,000 Elders provide local leadership. In addition, there are approximately 2,500 paid staff, 200 or so in the Church Offices and another 100 in parishes and presbyteries, with the vast majority working in our social care services.

Our work also requires the support of our members, many of whom serve on the Councils and Committees of the Church or as members of Presbyteries and as office-bearers in congregations. This provides the Church of Scotland with access to a wide variety of

expertise from other areas of life including education, the law, property, business and social services. Thousands of other volunteers, local members, give their time to running food banks, helping youth groups, serving in community cafés, welcoming refugees and raising funds for special projects. This service, whatever form it takes, is given voluntarily as part of our Christian commitment. It involves a generous and sometimes sacrificial giving of time and talent and we are deeply grateful. The contribution cannot be quantified but it is absolutely fundamental to the fulfilment of the Church's purpose of sharing the Gospel and enriching human life.

The Church's overarching objective is, participating in Christ's ministry, to worship and serve God. Much of our resource is devoted to encouraging, facilitating and supporting those people who provide ministry and leadership, our own living stones. But our focus is outwards, towards those

whom the saving grace of our Lord Jesus Christ has not yet touched and to those who need our care. These people too – the poor and vulnerable, the exploited, the refugee, the ill, the prisoner, the lonely – are the concern of Christ's church here in Scotland.

The Unincorporated Councils and Committees of the Church of Scotland were responsible, in 2014, for expenditure of just under £112m. As one of Scotland's largest charities, it is entirely appropriate that we report in detail on our finances and activities and we hope readers will find the information they need in the pages of this document. We do our best to ensure that the time, talents and money available to us are used in the most effective ways and we welcome scrutiny. We also give in these pages a flavour of the impact of our work on the people we serve, in Scotland and further afield. Read, and celebrate with us the difference faith in God makes to real lives.



The Church serves thousands of meals each week, feeding the hungry and celebrating fellowship

The Year in Brief



May: HRH The Countess of Wessex, at Heart and Soul



January: Launch of a Guide to Ethical Living



March: Launch of Imagining Scotland's Future – left to right: Baroness Goldie MSP, Very Rev Dr Lorna Hood, Dr Alison Elliot, Roseanna Cunningham MSP

June: Rev Michael Mair



February: Very Rev Dr Lorna Hood in Srebrenica



April: Commonwealth Games 2014, Glasgow



January

Publication by the Church's own young people of a Guide to Ethical Living, including topics such as climate change, consumerism, fair trade and taxation.

February

Visit by Moderator, Very Rev Dr Lorna Hood, to Srebrenica, the scene of the 1995 massacre of 8,000 men, boys and infants. Mrs Hood meets the Grand Mufti of Bosnia.

March

Launch of Imagining Scotland's Future, a report based on the views of people who attended 32 community events run by the Church as an alternative national debate on the referendum. "People in communities across Scotland challenge the political status quo" says the Church and Society Convener, Rev Sally Foster Fulton. "The Church of Scotland is committed to finding ways to transform our political debate to ensure that wellbeing and values such as justice, cohesion and sustainability become the measures for economic activity."

April

Publication of Church report on competitiveness in sport, in advance of the XX Commonwealth Games in Glasgow. Church hosts a debate on the issues at the Edinburgh Science Festival, with panel members including former Scotland rugby international Scott Hastings and Paralympian Anne Wafula-Strike.

May

General Assembly in Edinburgh, including Heart and Soul, a day of celebration for people from the Church throughout Scotland attended by Her Majesty's Lord High Commissioner, the Earl of Wessex and the Countess.

June

Scotland's youngest minister took part in the Queen's Baton relay in Edinburgh as part of the Commonwealth Games build-up. 25-year-old Rev Michael Mair, minister of St David's Broomhouse Parish Church, was chosen to be a baton bearer for a leg of the momentous 248 country global journey through the nations and territories of the Commonwealth.

July

Almost 500 people took part in the Poverty Truth Commission's showcase in Glasgow to hear its findings on the urgent need to tackle the widespread poverty still experienced by too many in Scotland. The event marked the close of the current Poverty Truth Commission, an initiative of the Church of Scotland and Faith in Community Scotland. It drew people with experience of poverty together with many of the key decision makers in Scotland to tackle issues of food poverty, the costs of being poor, benefit sanctions, in-work poverty, kinship care and the stigma faced by those in poverty.

August

20th National Youth Assembly, in Stirlingshire. 100 delegates aged between 17 and 25 discuss a wide range of topics including conflict in the Middle East, new ways of worship and how the Church spends its money.

September

Political figures from both sides of the Scottish independence debate gathered at St Giles Cathedral in Edinburgh for a special church service to promote unity in the wake of the referendum, led by the Moderator of the General Assembly, the Rt Rev John Chalmers.

October

The partnership between Cameron House, a Church dementia service in Inverness, and a local primary school wins the "Best Innovation in Continuing Care" category at Scotland's Dementia Awards. Youngsters at the Gaelic speaking primary school visit the care home weekly to give the residents a chance to talk in Gaelic, increasing their wellbeing and enabling children and adults to share memories and skills.

November

Church launches a campaign against Violence against Women as part of the global 16 Days of Activism Against Gender-Based Violence.

December

The first Vocations Champions recruited by the Church of Scotland begin their work. The initiative will raise the profile of ministry and service in the Church and ultimately aims to increase the numbers applying for ministry.

August: National Youth Assembly delegates



November: Fiona Buchanan speaks out on Violence Against Women



December: Vocations Group

September: Politicians shake hands at a Service of Unity held after the Scottish Referendum



July: Poverty Truth Commission's showcase, Glasgow



October: Cameron House residents at work



Objectives and Activities

The Church of Scotland is Trinitarian in doctrine, Reformed in tradition and Presbyterian in polity. It exists to glorify God and to work for the advancement of Christ's Kingdom throughout the world. As a national Church, it acknowledges a distinctive call and duty to bring the ordinances of religion to the people in every parish of Scotland through a territorial ministry. It co-operates with other Churches in various ecumenical bodies in Scotland and beyond.

The Church carries out a wide range of activities, summarised below, in pursuance of its charitable aim, the advancement of religion:

- > advancement of religion and education
- > relief of poverty and advancement of health
- > relief to those in need through age, ill health or disability
- > advancement of citizenship and community development
- > advancement of the arts, heritage and culture

The Trustees consider that these activities provide benefit to the people of Scotland and to a wider national and global community. Congregations are outwardly focused and the Church of Scotland is visibly active in local communities providing practical and spiritual assistance to all those in need, regardless of their status.



The Bungalow in Stonehaven is a CrossReach service that provides support for people with learning disabilities

Listen, my beloved brothers and sisters. Has not God chosen the poor in the world to be rich in faith and to be heirs of the kingdom that he has promised to those who love him?

James 2:5

Exercising Priority for the Poor



St Rollox Community Outreach, Glasgow, funded by Go For It

The Church continues to work alongside people living in poverty, to provide resources and support local communities as they seek to improve their housing, health, employment and education. Our Priority Areas team continue to work in close partnership with a wide range of key anti-poverty organisations delivering the Church of Scotland's commitment to the poorest and most marginalised communities and individuals in Scotland. As well as collaboration with organisations such as Church Action on Poverty, the Poverty Alliance, Citizens Advice Scotland, Nourish Scotland, Christian Aid, Joseph Rowntree Foundation and Child Poverty Action Group, we work ecumenically, with other faith groups and with the Scottish Government and local authorities. In June the Poverty Truth Commission, sponsored

by the Church of Scotland, hosted *Turning Up the Volume on Poverty* – a gathering of almost 500 people designed to highlight the work of the Commission over the last two years and to focus attention on the scandal of poverty in Scotland. In this we work particularly closely with Faith in Community Scotland.

WEvolution, a church-backed charity, has established 15 groups in Glasgow, Inverclyde, Edinburgh and Dundee thanks to funding from the Church of Scotland and the Scottish Government. Each group usually involves up to 7 women, who have access to loans of up to £2000 to start their own businesses or generate their own income. Initiatives so far have included making sweets, creating home furnishings and opening a launderette.

The Church continues to campaign for payment of at least the Scottish Living Wage and is supporting approaches to Government to ensure that public sector contracts support such a level of payment.

We have set up, with the Church of England and the Methodist Church, our own credit union, aiming to demonstrate to banks and pay day lenders a fairer approach to finance.

Calling for a rethink on benefit sanctions and our attitudes to wealth distribution, supporting food banks while at the same time seeking new ways towards sustainable food justice, supporting Big Issue vendors and seeking an end to fuel and funeral poverty, the Church speaks out and acts against poverty wherever it can. We do it locally and nationally. And it makes a difference.

Poverty remains a reality for a significant percentage of Scotland's population. This is an affront to a country of Scotland's wealth and natural resources. It is also an affront to the Gospel and God's passion for the poor.

Report to General Assembly, 2009



National Youth Assembly



Go For It Conference, Glasgow

Making Disciples

The work of the Church is supported by hundreds of thousands of members in 1,300 congregations across Scotland and in England and beyond. The Church supports those members, and others who have expressed interest in our faith, providing them with information, encouragement, learning resources and learning opportunities. We also maintain a visible presence in Scotland, in rural areas and in cities, at big public events and in village hall gatherings, offering love and service to our communities.

A major initiative in 2014 was the launch of the first in a series of Learn publications, this one devoted to the Eldership. This book and the others which are planned are designed to encourage, inspire and motivate our membership, and to provide them with the information they need to support others in their faith journey. We continued to develop our website (www.churchofscotland.org.uk) and browsers will find there a huge amount of material on the activities and beliefs of the Church. A more specialised website, www.resourcingmission.org.uk, offers worship and prayer resources for mission and discipleship. Are you looking for ideas for hymns or music for worship? You might well find help on this site – or even an MP3 file to download. You will also find there our popular Starters for Sunday site, providing helpful resources for worship leaders, tailored to the lectionary readings and to the Church year.

In 2014 also the Church offered access to a range of conferences and events for members and office-bearers. A successful event for session clerks and elders gave these key office-bearers an opportunity to network and share experiences as well as learning from more formal presentations on the law and practice of the Church. Events for Church and Society and CrossReach local representatives or for those working with children and young people, an introduction to new ways of being church, training for safeguarding coordinators, Vocations Conferences for those considering some kind of formal role within the Church, training sessions for ministry candidates and for new ministers, the National Youth Assembly, practical learning events for those seeking to apply to our Go For It fund on the best way to be successful in such applications – the opportunities for learning, for discipleship, for growth in personal faith are many.

**Go therefore and
make disciples of
all nations, baptising
them in the name of
the Father and of
the Son and of the
Holy Spirit.**

Matthew 28:19

Enabling Ministry in every part of Scotland

Our parish ministers – not so often seen in traditional clerical collars these days – are the familiar face of the Church to many in Scotland. And indeed we rely heavily on them and on all our other kinds of ministers – deacons, readers, ministry development workers, elders, other office-bearers – to provide leadership not just for our members in congregations but for every community in Scotland. Ministers preach, teach, administer the sacraments and lead worship as well as offering leadership to our other living stones as we seek to serve Christ. Ministers care for and encourage people in a wide variety of circumstances, including times of deep sorrow and of great joy. Ministers are invited into people's homes, meet them at work, in hospital, at school and in many different places. Ministers offer support at baptisms, weddings, funerals and other critical points in the life of individuals and the community.

Conscious that we have fewer candidates for ministry than we would like, we started in 2014 to plan a Decade for Ministry, to be launched in 2015. We have set up a Vocations project, with Vocations Champions operating across Scotland to identify people who might have the skills for ministry and to work with them to discern God's calling. We have introduced more flexibility to the training requirements and we have introduced enhanced financial support for those studying for the ministry. We are investing in new kinds of ministry: Pioneer Ministry and Fresh Expressions of church offer innovative ways of growing and nurturing new church communities, typically working with those on the margins of society.

We are investing in our current ministers. We are improving training and professional development, we are exploring ways of bolstering ministerial resilience and we continue to ensure that stipend levels enable our parish ministers to carry out their calling free from worry about their own and their families' practical needs.

Glenmuick Church, Ballater



Worship



Trust in God

I exhort the elders among you to tend the flock of God that is in your charge, exercising the oversight, not under compulsion but willingly, as God would have you do it – not for sordid gain but eagerly. Do not lord it over those in your charge, but be examples to the flock.

1 Peter 5:1-3



A child is baptised and welcomed into the family of God



Serving the Vulnerable



Placing the Standard for the Medals Parade Drumhead service

The Lord works
righteousness and
justice for all who
are oppressed.

Psalm 103:6

Human trafficking remains one of the most lucrative illicit businesses in Europe and evidence suggests that the trade in human beings is rising. The Church has been working with the Scottish Churches Anti-Human Trafficking Group to try to find ways of eliminating this evil trade. The Church responded to the Scottish Parliament's call for evidence on its Human Trafficking and Exploitation (Scotland) Bill and we called, with other faith groups, for the criminalisation of the purchase of sex as a way to tackle the demand for sexual services which fuels modern slavery.

CrossReach, our social care arm, provides life-changing services in over 70 locations throughout Scotland. We run adult care services – in criminal justice, for homeless people, for people with learning disabilities

and for those with mental health or substance abuse issues. We provide services to older people – in residential care, in specialist care for people with dementia (all our care homes for the elderly have at least one specially trained dementia ambassador), in day care and through an innovative art therapy project. And then there are our children and family services, delivering care and education for vulnerable children, offering early years provision, prison visiting support and counselling services. 96.8% of service users who responded to a 2014 survey agreed that their quality of life is better because of the service they receive. The Church can help change lives.

Servicemen and women may not seem vulnerable but they face unique dangers at sea, in the air and on land,

whether on routine deployment or on active operations. And where they are, there you will find Church of Scotland chaplains, sharing the danger and providing practical and pastoral support to raw recruits and senior officers alike.

Raising money to fight HIV/AIDS in Scotland and worldwide, campaigning vigorously against violence against women, providing support to those nearing death, working with prisoners, addicts, young offenders – the Church can be found in the messy reality of life, right where the Gospel message calls us to be.

Promoting Reconciliation



Tabeetha School, Jaffa

We encouraged peace and unity during and after the Scottish Referendum in 2014, working with congregations, politicians and others in civic Scotland to engage in 'respectful dialogue'. Politicians shared platforms provided by the Church and showed by example how opposing views, expressed with passion, need not lead to division and conflict. In the summer of 2014, we hosted an interfaith conference on what a Scottish constitution might look like. And then we led a Service of Unity at St Giles just days after the referendum, where leading representatives of political parties worshipped together, lit a single candle symbolising their commitment to work together for the commonwealth and shook hands in friendship: powerful symbolic gestures and evidence of the Church's capacity to promote healing.

We continued our support for *A Place for Hope*, an ecumenical project which seeks to position the

churches in Scotland as peacemakers and healers in a broken world. Mediators from the project work with congregations to develop and embed conflict skills training and to prompt and encourage cultural change within and outwith the churches themselves.

And talking of cultural change, we also spent time last year looking at the way we make our own decisions and wondering if a consensus model would be more constructive and healing than the traditional method of majority voting. We took time to consult throughout the Church on this issue and we continue to consider the implications for our workings at local, regional and national level.

As part of the universal Church, we believe that God calls us to celebrate and move towards visible unity, to strive to work more closely with our Christian sisters and brothers in Scotland and throughout the world. We therefore work ecumenically wherever possible, assisting projects



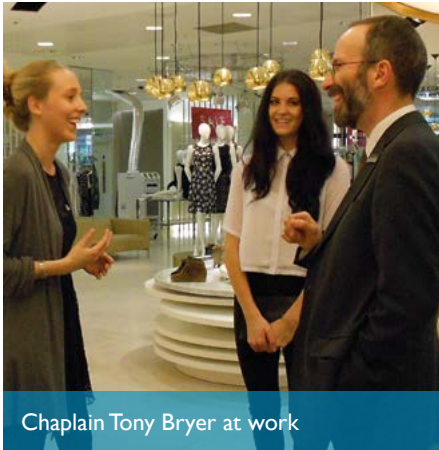
Respectful Dialogue

at local and national level. More and more around Scotland, men and women are working, studying and worshipping together with other Christians. The Church is a major supporter of Action of Churches Together in Scotland and is a member of Churches Together in Britain and Ireland and of international ecumenical bodies.

Our commitment to reconciliation sometimes takes us to difficult places. For example, we work with convicted sex offenders to ensure their safe inclusion in worship while at the same time working with survivors of historical abuse, to meet their needs to be heard and supported. How can we do both? Because we do not judge, we merely offer Christ's love, and ours, to all in need.

I give you a new commandment, that you love one another. Just as I have loved you, you also should love one another. By this everyone will know that you are my disciples, if you have love for one another.

John 13:34-35



Chaplain Tony Bryer at work



SCPO's Chloe Clemmons at Downing Street

Engaging with Society

Scotland faced a political choice in 2014. Yes or No? As you would expect, the Church of Scotland was at the heart of the debate about the future of Scotland. But not promoting either independence or union – instead, we asked ordinary people what they wanted for their country and we challenged the politicians to deliver what they called for: Equality, justice, compassion, tolerance, honesty, integrity. These are the qualities that Scots want to see in their government and in their communities, and these are the qualities that the Church continued to promote in its engagement throughout 2014 with the political parties and then with the Smith Commission process.

The Church is a major supporter of the ecumenical Scottish Churches Parliamentary Office. SCPO enables us to engage effectively with sister denominations in political processes, translate our commitment to the welfare of Scotland into Parliamentary debate and contribute the range and depth of our experience and faith to the decision-making process. SCPO provides updates and briefings to Parliamentarians and faith groups, and brings people together for dialogue, often in partnership with other groups in Scottish civil society.

Society is more than politics. The Church of Scotland has in the last twelve months increased its financial and organisational support for Workplace Chaplaincy Scotland, an ecumenical body which aims to offer relevant pastoral and spiritual support to people in the setting of their daily work and individual lives. There are chaplains in factories, stores and shopping centres, financial institutions and transport companies, in businesses small and large throughout Scotland. There's even one in the Church's own administrative offices. They offer staff a listening ear and comfort and support in times of difficulty and challenge; they can help companies with their corporate social responsibility programmes and can also offer wise advice on a whole range of people issues. Another example of the Church making a difference through its people.

The Church and Society Council puts engagement with society at the core of its remit. We do so with a specific commitment to social justice and to the values of the Gospel. Whether it's advocating the establishment of prison visiting centres, considering the impact of legislation on assisted suicide or organ transplantation or calling for gender justice, the Church is at the heart of the issues that matter to Scotland and its people.



Wisdom cries out in the street:
In the squares she raises her voice.
At the busiest corner she cries out;
At the entrance of the city gates she speaks.

Proverbs 1:20-21

Caring for Creation

Climate change is perhaps the most pressing issue in human history. Its effects are most keenly experienced by the poorest of the world's poor so it is also a matter of social justice and it needs to be tackled with great urgency. Address by the Rt Rev John Chalmers, Moderator of the General Assembly, to His Holiness, Pope Francis, February 2015

The Church supports, through grants and assistance in kind, Eco-Congregation Scotland, a charity which offers a programme to enthuse and equip congregations to weave environmental issues into their life and mission in an enjoyable and stimulating way. Over 230 Church of Scotland congregations have registered – as have the Church Offices themselves – and have committed to caring for God's creation in prayer, worship and

conversation and in action individually, locally, nationally and globally, desiring to live justly in a transformed world. The Church commits itself to campaigning on urgent threats to the web of life in our vulnerable world.

What have we done in the last year on this issue? Well, we have introduced a new policy on business travel which ensures that those who travel on Church business make travel decisions which reduce their carbon footprint – or that they

don't travel at all and instead use video-conferencing or other such methods of saving energy. We have been working with the Investors' Trust to explore the arguments for and against disinvestment from fossil fuel companies – prompted by some of our empowered young people from a church in Dalgety Bay – and we hosted a conference on fracking which explored the place of shale gas in Scotland's energy reserves and noted environmental concerns and the need for proper regulation.

**The leaves of the trees
are for the healing of
the nations.**

Revelation 22: 2b

We have given a good deal of consideration to the Scottish Government's consultation on land reform (which followed a report of a review group chaired by Dr Alison Elliot, one of the Church's former Moderators) and we have submitted a response, highlighting both our broad support and our concerns about some details of the proposals. We understand that the earth belongs to the Lord and we want to promote good stewardship of the land for the common good.

The Church of Scotland has never simply been interested in what happens within our own borders and we recognise that climate change is a truly global phenomenon, and needs a unified global response if people in our partner countries across the world are not to suffer drought and famine. We sent a representative to an international Religions for the Earth conference in New York in 2014 and took part in a march of 300,000 people to demand action on climate change. Nearer home, we provided financial assistance to one of our partner churches, the Reformed Church of Hungary, to help them host a conference on Energy and Climate Change.



Eco-Congregation Scotland members at Midsummer Meeting in the Botanic Gardens



The Church of Scotland partners the Church of Central Africa Presbyterian, Malawi to support the delivery of healthcare, education and food security

Celebrating our Place in the World Church

The Church of Scotland may be a small church in a small country perched on the extremities of northern Europe but it is part of the great world-wide Church of Jesus Christ, working around the globe to share the Good News. We work with our partner churches in a range of countries in Africa and the Caribbean, Asia, the Middle East and in other parts of Europe. We are members of a number of international ecumenical bodies and work closely with the World Council of Churches, the World Communion of Reformed Churches, the Community of Protestant Churches in Europe and the Conference of European Churches. Our role is to walk alongside local witnesses to the transformative love of God, learning from and sharing with our fellow Christians as we attempt to make a difference in places of poverty, injustice, danger and hunger.

The plight of refugees always concerns us. Thousands are coming to Europe – many risking their lives in the attempt – as they flee war and persecution in Africa and the Middle East. The Guild continued to support our living stones in the joint Church of Scotland/Methodist Church in Malta as they offer practical help to exhausted refugees: coolboxes and fans to relieve stifling summer conditions; quilts, blankets, and children's clothing in the cold and damp of Malta's winter months; and then English language classes and access to microfinance to help them re-establish their lives.

The Church has had a visible presence in Israel and Palestine for many years and we continue to offer our support and love to our Christian sisters and brothers in that troubled area of the world. Last year, we supported a project to distribute olive tree saplings to farmers who have seen their trees uprooted and destroyed. We also supported a project for young people living with disabilities, allowing them to develop skills in felt-making and therefore a source of income.

Working with Christian Aid on climate justice, raising substantial sums of money to help combat HIV/AIDS throughout the world, standing up for debt justice in the Eurozone, providing support for relief work and trauma healing in South Sudan, exploring with our partner church in Cuba how best to reach out to those in need, sharing resources with churches in Korea to help them advocate a peaceful future for the whole Korean peninsula: wherever there is need in the world, there you will find Christians fulfilling the demands of their faith. And very often, you will find someone with a Scots accent too – working to the ends of the earth.



Tamil boy, Jaffna, Sri Lanka



Palestinian olive farmer, Cremesan Valley

During the night Paul had a vision: there stood a man of Macedonia pleading with him and saying, 'Come over to Macedonia and help us'.

Acts 16: 9

Discovering and Encouraging Life in all its Fullness

Joy and pleasure? In the Church of Scotland? Yes, indeed, we are promised delight and, in spite of the Scots' reputation for dourness, that is what Christians find in the service of the Lord. The sense of loving community, the experience of warmth, welcome and fellowship, the laughter, the music, the deep peace of prayer and worship, the sense of God's real presence among us – all are found not just in local congregations but in presbytery and Council and Committee meetings and in other kinds of gathering. And all go towards making active Church involvement a source of joy and comfort to so many people.

Life has its challenges for many people though, and it is the Church's duty to work with them to overcome difficulties and problems so that they too can experience peace and hope. Look at our Chance to Thrive project, working with local people in eight communities, to build

- > **Human Treasure:** building person confidence, knowledge, skills and attitudes
- > **Social Treasure:** developing a sense of community, stronger social networks, trust, and growing levels of community engagement
- > **Economic Treasure:** supporting the local economy, employment, inward investment, and community regeneration; alleviating the effects of poverty
- > **Cultural Treasure:** developing an understanding of, and engagement with, the arts, local culture and heritage, increased numbers of local artists
- > **Physical Treasure:** developing local infrastructure, buildings and facilities; transforming spaces



Chance to Thrive Project



HMYOI Polmont family bus

It's early days but this is a project of potential for people with potential, people who deserve to experience a higher quality of life – and we'll help that happen as we expand this way of working in other communities.

Or take our work with the families of prisoners. We have two prison visitor centres in Perth and Polmont where comfortable facilities are provided for families to prepare for the sometimes stressful experience of visiting a prison. Bean bags and soft toys for younger children, internet access for

relatives, kitchen space and toilet and baby changing facilities are provided to meet the need to provide a welcoming and family-friendly environment for visitors. Visitors can also access sources of advice and practical assistance on benefits, health and relationship management. The Church of Scotland is lead partner in the National Prison Visitor Centres Steering Group, which is developing plans to have such a centre in every prison in Scotland. The lives of families are eased as a consequence and the prisoner too can relax, knowing that family members are being cared for.

Places and quality of life can be transformed through imagination, ambition and an understanding of the potential of creativity. The Church supports the Scottish Storytelling Centre in Edinburgh, believing that everyone should be able to access and enjoy artistic and creative experiences. If you don't know where that is, follow the Royal Mile down to the sound of children's laughter and adults' applause. And experience another aspect of life in the Church.

You show me the path of life. In your presence there is fullness of joy; in your right hand are pleasures for evermore.

Psalms 16:11





Empowering Young People

The Church values young people and we'd love to have more of them in our midst. We benefit hugely from the gifts of those children and young adults who are with us on the journey of faith. We invest in the nurture, encouragement and support of young people, creating, in 2014, a new post of Children's Development Worker. We continued to run the National Youth Assembly, an annual residential event for young adults aged between 17 and 25. Attracting folk from all over Scotland with different backgrounds it's a chance for them to get together; worship together; learn together; discuss together and party together. And, importantly, feedback from the event is presented by the young people themselves to the General Assembly. Over 50 young adults attend the General Assembly each year; playing a full part in the debates and activities – and setting the believers a strong example in faith, just as Paul exhorts.

We aim to have at least 20% of our council and committee membership drawn from people aged under 35;

Let no-one despise
your youth, but set the
believers an example
in speech and conduct,
in love, in faith,
in purity...

Do not neglect the gift
that is in you.

1 Timothy 4: 12, 14



The Aidan Project, Edinburgh,
funded by Go For It

membership of such a body gives these younger people an opportunity to make a real difference to the Church. We produced a short film in 2014 to encourage such membership, highlighting the contribution made by one young woman.

We engage with children directly through the Moderator's Medal and the Stevenson Prize, annual competitions which encourage children to consider different aspects of our life and work. And we support the work of school chaplains, usually local ministers, who work with teachers to help pupils explore issues such as mental health, money matters, human cloning, poverty and climate change. We don't duck the hard and sometimes challenging questions that come from children curious about life, about their world and about faith. Empowering young people? Try stopping them!

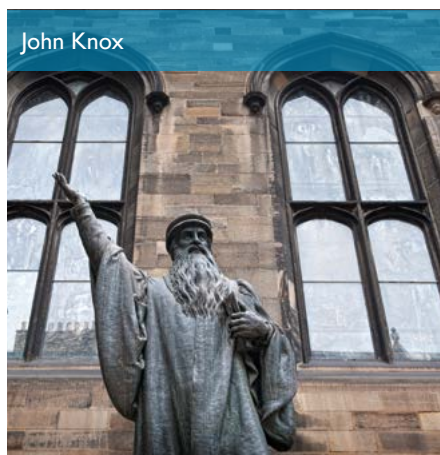


Heart and Soul 2014

Renewing Church Structures and Practices

Protestant churches sometimes use the Latin tag *semper reformanda* (always in need of being reformed) to describe their approach to development and reform. We believe with our sister churches that we too are in constant need of renewal and we have devoted time, energy and resources this year to ensuring that our structures and practices are fit for God's purpose for the Church. We look in this process for God to rebuild us.

Indeed, we have a Panel on Review and Reform set up for the very purpose of contemplating and encouraging change and growth. They spent time in 2014 consulting the wider Church to identify a unifying vision which would drive our strategy and inform our strategic planning. While awaiting the results of that work, the Council of Assembly worked with representatives from a number of other Church agencies to consider both how funding is raised for the Church's national activities and how it is best spent. These are bigger questions than they may appear to be, and the answers may well challenge our accepted thinking. That work was driven and underpinned by our commitment to an earlier report on Church Without Walls. We are committed to returning the ministry of the Gospel to the people of God, giving them the tools and the trust to shape their own local vision. The Church Without Walls report called for congregations to be given the



John Knox



General Assembly

space and opportunity to develop their own patterns of ministry, mission, worship and leadership; it called for structures to be flexible; and it called for Presbytery and the Church Offices to serve the local in their own context. The institution of the Church is challenged to become flexible and open, generous and accommodating, encouraging and enabling. The Council was concerned also, of course, to ensure that essential good governance is not sacrificed as a consequence.

So we spent time looking at congregational income patterns, the interface with buildings issues, the current financial regulations and processes and options for governance arrangements at local, regional and national level. Proposals for change will be taken to the General Assemblies of 2015 and 2016.

The General Assembly itself has been under review. A separate group has been looking at the way it does its business. What are its main purposes? Should it meet less (or more) frequently? Are there better ways of involving those who attend in the decision-making processes?

The Church has, over the centuries, developed a complex system of internal legislation and regulation. We have identified a need to streamline and update this where possible and work on this was considerably advanced in the course of 2014 with the introduction of a simplified informal procedure for resolving disputes.

We aim for balance between creative change and good governance, between allowing space for the work of the Holy Spirit and being orderly so that our people can truly embody their calling as living stones without running up against the brick walls of out-of-date and unnecessary practices.

The Lord says, “People of Israel, I have always loved you, so I continue to show you my constant love. Once again I will rebuild you. Once again you will take up your tambourines and dance joyfully.”

Jeremiah 31: 3-4.

Developing Leadership



Youth Moderator 2014, Lynsey Kimmitt

Leadership development is a major focus of the Church's work. Our congregations need leaders of all different types and with varying and complementary skills. Obviously, we are interested in the formation of ministers – from the time that potential candidates approach us, through their academic studies and formal candidacy, into their probationary period and then into ministry, we support, guide, equip and affirm those whom God has called to serve. We started work in 2014 on designing a programme of continuing ministerial development. We intend to create a learning environment that cares for and supports the spiritual, intellectual, emotional and physical wellbeing of ministers and that ensures they continue to develop the leadership skills that they need for their own contexts.

New resources for the eldership, both publications and training events, for congregational and presbytery treasurers, for safeguarding co-ordinators, for Guild leaders and for many other office-bearers help to ensure that other local congregational leaders are equipped with the range of skills that they too need. The National Youth Assembly helps to identify younger leaders with potential and

gives them a safe place to practise leadership skills: leading worship, making presentations, convening meetings and working with others.

But we are concerned not just with supporting those who are traditionally thought of as leaders in the Church but also people who exercise leadership in the wider community. Equally, we do not just want to develop existing leaders but also to nourish new ones. Our Priority Areas team, supporting the 68 poorest communities on Scotland, runs successful coaching and mentoring projects and also a women's leadership programme. Their practical support for WEvolution, a micro-financing project which is encouraging women into self-employment, has also resulted in the uncovering of leadership skills that many of the women did not know they had.

The Church of Scotland acknowledges that Christ is the only head of the Church. The Lord is ably supported in His work by the many people of skill and commitment who so freely offer their services to help in leadership and mission.

And God has appointed in the church first apostles, second prophets, third teachers; then deeds of power, then gifts of healing, forms of assistance, forms of leadership, various kinds of tongues.

1 Cor 12: 28





Military Chaplains at Camp Bastion

Now we have received not the spirit of the world, but the Spirit that is from God, so that we may understand the gifts bestowed on us by God.

1 Cor 2:12

Releasing the Gifts of all the People of God

We believe in the ministry of all believers and we believe that God has equipped His people with differing gifts to enable them to exercise their own ministry, whatever and wherever that might be. We therefore encourage all Christians to play their part in spreading the Good News and in supporting the people of God as they carry forward God's mission in the world. In 2014 we continued to develop our Vocations programme to help people discern God's call to them to formal ministry in the Church. We offered resources and training for those who felt called to other forms of service – office-bearers, organists and musicians, safeguarding trainers, youth workers, carers, worship leaders, chaplains, those on welcome teams, artists, newsletter editors and mission leaders. Guild members and leaders were offered training and information

to help them lead worship, manage their business and raise support for Guild projects.

Last year we issued a webinar on data protection and have encouraged all presbyteries and congregations to use it in their training of congregational data protection officers. The Church website at www.churchofscotland.org.uk offers a huge range of resources ranging from prayer and worship resources to practical guidance on charity law compliance for congregations, from advice on stained glass to resources for dealing with the bereaved, from papers on school chaplaincy and suggestions for school assemblies to advice on energy conservation – everyone who has a hint of a gift or skill should be able to find information on how to make the best of it.



Iain Cunningham, Convener, World Mission Council

Accountability

Structure, Governance and Management

Constitution

The Church of Scotland, part of the one Holy, Catholic and Apostolic Church, is the National Church in Scotland, recognised by the State but independent in spiritual matters. In one sense, its Constitution cannot be written down in precise terms, as the Church has built up, stage by stage, "upon the foundation of the apostles and prophets, Jesus Christ Himself being the chief corner-stone" (Ephesians 2:20). In another sense, the Church's Constitution may be said to be set out in certain important instruments. These include the "Articles Declaratory of the Constitution of the Church of Scotland in Matters Spiritual" (1921), the "Act anent Spiritual Independence of the Church" (1906) and the "Act of Union" (1929).

Organisation

Conciliar System

The distinctive feature of the Presbyterian system is that the Church's authority, received from the Lord Jesus Christ, is vested in Church courts and not in individuals. It is a conciliar system, in which legislative, judicial and administrative decisions, and supervisory actions, are taken corporately.

The supreme court is the General Assembly, which legislates for the whole Church. It is the final court of appeal, although in some matters it is the court of first instance.

The General Assembly, which meets each May, comprises around 850 Commissioners appointed by Presbyteries and made up of

ministers, elders and members of the diaconate. In addition to its legal function, the General Assembly has an administrative role. During the Assembly, the six Unincorporated Councils, the Standing Committees and any Special Committees or Commissions present their annual reports with proposals known as "deliverances" which are accepted, rejected or amended by the Assembly.

The next highest court is the Presbytery. The Presbytery is responsible for an area made up of a number of parishes, served by congregations. There are 43 Presbyteries in Scotland, plus the Presbytery of England, the Presbytery of Europe and the Presbytery of Jerusalem. Presbyteries are required to supervise and monitor congregations' compliance with Church and civil law, including the annual attestation of their accounts.

The lowest court is the Kirk Session of each congregation of the Church. The Kirk Session is responsible for spiritual matters. Many congregations have a separate Financial Board (a Congregational Board or a Deacons' Court or a Committee of Management) but in some congregations, the Kirk Session is also responsible for temporal and financial matters.

Congregations and presbyteries are separate legal entities and neither they nor presbyteries are controlled by the Unincorporated Councils and Committees; their accounts are therefore not consolidated in these financial statements.

Unincorporated Councils and Committees

The Unincorporated Councils and Committees, appointed by and responsible to the General Assembly, support local congregations in carrying out pastoral care, mission and evangelism and Christian education work, and manage the Church's direct social care service throughout Scotland. They also act as a channel for expressing practical and vocal support at a national, international and ecumenical level, and ensure that legal requirements are being met by the whole organisation. The Councils and Committees are supported by permanent staff to carry out their remits in accordance with policy decisions taken by the General Assembly. Each Council has a Council Secretary who is responsible for delivering the Council's remit. Committees and working groups of the Councils focus their expertise on distinctive areas of work and help to shape future policy.



Trustees from the Council of Assembly

Council of Assembly

The Council of Assembly of the Church of Scotland was set up by the General Assembly of 2004 to fulfil an executive function in setting priorities among the Councils and Committees of the Church in line with agreed strategy. It has the authority to take necessary administrative decisions between General Assemblies, to co-ordinate the work of the Church's central administration and to take decisions with regard to resources, finances and staffing. The Council also has responsibility for the annual submission to the General Assembly of the audited Report and Financial Statements of the Unincorporated Councils and Committees.

The Council of Assembly's Finance Group has financial oversight of each Council and Committee in order to ensure good stewardship so that the worship, mission and service of

the Church are effectively delivered. This also ensures that financial management is in accordance with best practice and UK Generally Accepted Accounting Practice, as well as meeting the requirements of the Office of the Scottish Charity Regulator. The Audit Committee works with the external auditors of the Unincorporated Councils and Committees to ensure proper financial reporting practice and compliance with charity accounting requirements. It considers any matters raised by the external auditors for the attention of the Trustees and management. It is also responsible for reviewing and approving the annual internal audit plan and monitoring the findings of the internal auditors. The Committee is constituted to ensure its independence.

Voting members of the Council of Assembly are the Convener,

Vice-Convener and ten members appointed by the General Assembly on the Report of the Nomination Committee together with the Conveners of the five Councils and of the Panel on Review and Reform. These voting members were designated as the charity trustees of the Unincorporated Councils and Committees by the General Assembly of 2010.

The Council of Assembly meets regularly to receive reports from all of the Councils, together with reports on finance, staffing, strategy, communication and governance matters. Audit Committee minutes are submitted to the Council for information. Conveners of Standing Committees are invited once a year to deliver reports on their work. Minutes of the Council of Assembly and the five Councils are published on the Church of Scotland website.

Other Councils and Committees

The five Councils are as follows:

- > **Church and Society Council:** engaging in the national, political and social issues affecting Scotland and the world today
- > **Ministries Council:** supporting a variety of ministries for the Church, from the first stirring of a 'call' through to retirement
- > **Mission and Discipleship Council:** promoting an overall focus for worship, mission and discipleship
- > **Social Care Council:** offering services in Christ's name and specialist resources to further the caring work of the Church to people in need
- > **World Mission Council:** working internationally to share the gospel, support theological education and encourage holistic ministry

In addition to the five main Councils, there are seven committees, much of the work of which is directed towards good governance and effective administration.

The committees are: Assembly Arrangements, Central Services, Chaplains to Her Majesty's Forces, Ecumenical Relations, Legal Questions, Panel on Review and Reform and Safeguarding. Their main tasks are:

- > **Assembly Arrangements:** organising the General Assembly and Commissions of Assembly
- > **Central Services:** managing the Church Offices; employment of the operational staff of the Unincorporated Councils and Committees based at 121 George Street and elsewhere
- > **Chaplains to HM Forces:** supporting chaplains and those dedicated to the spiritual wellbeing of the women and men of the Armed Forces

- > **Ecumenical Relations:** promotion and support of ecumenical working, as set out in the Articles Declaratory
- > **Legal Questions:** advising on questions of Church law and constitutional law affecting the relationship between the Church and State
- > **Panel on Review and Reform:** listening to the local church, considering the Church's changing needs, challenges and responsibilities and developing the Church's overall vision
- > **Safeguarding:** ensuring that work with children and vulnerable adults meets the requirements of civil legislation and regulation and that the Church is a safe place for all

Subsidiary Undertakings

There are four subsidiary undertakings. St Andrew's Galilee Limited and St Andrew's Scottish Centre Limited are incorporated to manage the Scots Hotel in Tiberias and St Andrew's Scottish Guesthouse in Jerusalem respectively. As well as having the objective of generating funds for the Church's charitable activities in the Holy Land, the hotel and guesthouse provide a base for visitors to witness the work of the Church of Scotland in Israel and the Occupied Palestinian Territory, and as a visible witness of solidarity and faith with local Christians. The Financial Results are described in note 33 to the financial statements. Circle of Care Trading Limited raises funds for the Social Care Council from the sale of calendars, cards and gifts and also raises awareness of the Council's work. Tabeetha School in Jaffa, Israel, operating as a not for profit organisation, educates children from Christian, Muslim, Jewish and other religious backgrounds, with the objective of promoting reconciliation.

Appointment, Induction and Training of Trustees

Members of the Councils and Committees, including the Council of Assembly, are appointed by the General Assembly through the Nomination Committee. The Nomination Committee is appointed by the General Assembly. Consideration is given to the Council or Committee's need for qualifications and expertise when deciding upon those to be nominated. It is the policy of the General Assembly, as far as possible, to ensure a balance of members by gender, age and geographical location. An open and rigorous recruitment process is followed for nomination to the Council of Assembly; all vacancies are now filled, subject to General Assembly approval, by persons who have responded to an advertisement, demonstrated possession of the required skills and undergone a panel interview.

Each new member is provided with a copy of the remit of the Council or Committee, guidance notes on the responsibilities of a trustee, a calendar of meeting dates and copies of the Minutes of the most recent Committee meetings. Trustee members of the Council of Assembly also receive a copy of the Code of Conduct for Voting Members as Charity Trustees. This includes guidance on the declaration and registration of interests and on the payment of expenses. All Council and Committee members are briefed on the remit and responsibilities of their Council or Committee and are thereafter updated on governance and charity matters and the effect, if any, on the remit and responsibilities of the Council or Committee. In addition, the Council of Assembly holds an annual introductory meeting for incoming Council and Committee Conveners and members, shortly before the General Assembly at which they will take up their duties, at which they receive the latest Annual

Report and Financial Statements and General Assembly Report and receive comprehensive briefings from office-bearers on charity law and on the structure, legislative processes and current work of the Church. A separate session is held for Conveners to introduce their particular responsibilities. Conveners and Secretaries ensure in the course of the year that members of Councils and Committees receive the support and information they need to discharge their duties responsibly and well.

Senior Management

A Senior Management Team supports the coordinating and decision-making work of the Council of Assembly and ensures the efficient implementation of the decisions of it and the General Assembly. The group is chaired by the Secretary to the Council of Assembly, and its members include the Principal Clerk, Council Secretaries and heads of the main support departments. The Senior Management Team is accountable to the Council of Assembly and its minutes are submitted to the Council for information. Senior staff of the Church are responsible for the operational management of their departments under the general direction of their Councils and Committees and for implementing the policies of the General Assembly; a formal Scheme of Delegation will be introduced in 2015.

Reporting Structure

The financial statements of the Unincorporated Councils and Committees include the financial results of the five Councils and a number of Support and Services Departments together with Other Funds which include approximately 150 Trusts, the Mission and Renewal Reserve Fund, Housing and Loan Fund and the Church of Scotland Guild. The consolidated financial statements also incorporate the financial results



Glasgow Cathedral

of the subsidiary undertakings, St Andrew's Galilee Limited, St Andrew's Scottish Centre Limited, companies incorporated in Israel, and Tabeetha School in Israel registered as a non-profit organisation. The share capital of both companies is held by the Church of Scotland Trust on behalf of the World Mission Council which has given indemnity to the Trust in respect of all liabilities arising from its shareholdings.

Risk Management

The internal audit strategy approved by the Church's Audit Committee recognises the importance of regular reviews of the governance, management and operation of the core Councils of the Church. During 2014, the internal auditors carried out reviews of the Church and Society Council and the Communications Department. They also undertook work on integrated assurance and compliance planning and cost savings opportunities as well as carrying out a follow-up

review of the core financial controls framework. Where appropriate, the Council of Assembly accepted the recommendations contained in these reports and instructed that they be implemented. The Council, through its Audit Committee, monitors progress on audit recommendations and takes appropriate action to ensure that process improvements are embedded. The contract for internal audit was re-tendered in 2014 in accordance with good procurement practice. The internal audit programme for 2015 will be agreed in discussion with the provider but will be designed to ensure audit coverage across a range of key process areas, a continued focus on financial controls and appropriate analysis of the legal, regulatory and risk management processes.

The Trustees recognise the risks inherent in resourcing and delivering a challenging programme of worship and mission at local, national and



General Assembly Hall, Edinburgh

international level in a climate of increasing financial constraints. Each Council and Committee has a risk register which they regularly review and on which they are required to report twice yearly as part of the regular reporting cycle to the Council of Assembly. To assist in this, the internal auditors and the Stewardship and Finance Department regularly provide training and support in risk management to senior managers; this will be extended in 2015 to include conveners of Councils and Committees. In addition, the Council of Assembly uses a business case template for Councils and Committees for the submission of proposals for staffing changes or new significant spending. This template helps Councils and Committees to analyse and evaluate the risks attached to such proposals. Appropriate arrangements are then made to manage any acute risks

identified through this process, jointly with the Council of Assembly as appropriate. The principal risks and uncertainties identified by the Council of Assembly are as follows; comments on the management and mitigation of these risks are noted below each heading.

The Challenge of Change

The Church of Scotland is involved throughout Scotland sustaining worshipping, witnessing and serving communities. It endeavours to give support to individuals and communities; discerning Christ's call, the Church is particularly concerned for the needs of those who are poorest and most marginalised. It shares work and witness with ecumenical partner churches in Scotland and the rest of the United Kingdom and Ireland and values and enjoys productive partnerships with the World Church. Successful delivery

of such a challenging programme of worship and mission across Scotland and beyond demands that the Church's structures and operational management must be responsive to need. The Church of Scotland is a church both reformed and in need of reform and its structures and policies continue to be revised and improved from time to time. The Church meets in General Assembly once a year and this provides an opportunity for change to be suggested and adopted. Clear strategic planning, good financial management, robust and timely communications across the Church, support for Presbyteries as they review Presbytery Plans and good training and development programmes help ensure that people are enabled to prepare for change and implement it well. In 2014, the Panel on Review and Reform continued its programme of wide consultation in order to be able to

formulate a clear statement of the long-term vision of the Church and to identify the methods by which that vision, once agreed by the General Assembly, could be implemented.

Safeguarding the Vulnerable

The protection of children and members of vulnerable groups continues to be a major priority. Programmes of communication, compliance monitoring and robust procedures for the recruitment and training of staff and volunteers are in place and supported by Presbyteries and by the Safeguarding Service. The Church is aware of the requirements of the legislation in this area and of developing best practice, for example in the handling of allegations of historical abuse, and has provided extra resources to ensure that its obligations are met. The work and resourcing of the Safeguarding Service remain under constant review by the Safeguarding Committee and by the Council of Assembly.

Successful Communication

The Church can be a target of criticism, sometimes merited and sometimes not. We counter that by seeking at all times to convey an authentic, clear and consistent message about our mission, values and vision to a wide variety of audiences, both internal and external. We employ highly professional communications staff and use their expertise to mitigate any remaining risk of adverse publicity. Communication with Presbyteries continues to improve; a number of conferences were held and training was provided for Presbytery finance and stewardship representatives and for new Presbytery Clerks. The Ministries Council is responsible for providing pastoral resource, enquiry and assessment and candidate reviews, and maintains an effective flow of information among all those

involved in these activities. Internal communication is managed by the Senior Management Team and other heads of department, with the support of Human Resources and the Communications Department; the role of staff representative bodies is crucial and the Church welcomes and supports such groupings.

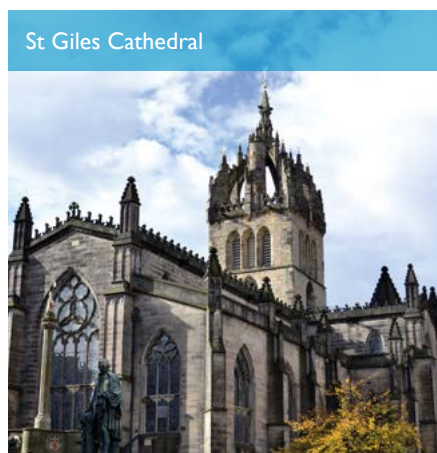
Theological and Doctrinal Cohesiveness

A healthy church encourages discussion and debate about its faith and a Presbyterian Church provides many opportunities, formal and informal, for such interaction. The Church of Scotland has, for some years, been engaged in the thorough consideration of a particularly contentious theological issue and a small number of ministers and members have chosen to leave the Church of Scotland as a consequence. The debate on that issue continues. Throughout 2014, the Council of

Assembly has continued to monitor the impact of such debate and disagreement, to coordinate the practical arrangements and to protect the interests of the Church of Scotland.

General

Further information about the activities of the Church of Scotland and its individual Councils and Committees can be found on the Church of Scotland website. More detailed reports and information, including names of all Trustees, can be found in each year's Reports to the General Assembly ('the Blue Book'), which is issued to all General Assembly Commissioners and is available for purchase from the principal office. The Church also publishes a Yearbook with contact details for its Presbyteries, congregations, ministers and senior officials and which also contains useful general information about the Church; the Yearbook is available for purchase from the principal office.



Financial Review

Financial Review for the Year Ended 31 December 2014

The Church's Principal Charitable Objective is the Advancement of Religion. In 2014 the Unincorporated Councils and Committees expended £111.7 million on meeting this objective as detailed in the following report.

Overview

The net outgoing resource for the year was £2.04m. However this included an exceptional charge of £4.1m to bring into the Financial Statements for the first time, the Church's share of the deficits in two local government pension schemes of which some CrossReach staff are members.

In operational terms all Councils and Committees worked within their budgets, mostly breaking even.

Income

Income from all sources in 2014 was £109.6 million, a reduction of £9.4 million or 8% over the previous year; but there was a

good reason for this. Assessed congregational income reduced by £0.6 million, mainly as a result of a decision to increase the allowances for congregations with a ministerial vacancy.

£3.5 million of the reduction was in investment and other income, which included defined benefit pension scheme adjustments and gains on disposal of property, both of which fluctuate annually. Dividend distributions, on the other hand, remained stable with a slight decrease in investment income being due to net sales of investments.

However, CrossReach's income from its care services reduced by £2 million, and legacies, which are always variable, were less than half of the previous year.

	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
Income by Type					
Congregational Contributions	48.0	48.6	48.8	47.1	46.0
Social Care	43.3	45.3	46.2	46.4	46.3
Other Charitable Activities	3.3	3.4	3.5	3.3	3.3
Legacies	1.2	3.0	2.7	1.9	3.2
Donations, Trusts, Grants	3.0	3.6	1.7	2.0	2.4
Generated Funds	4.6	5.4	4.5	5.0	4.6
Investment & Other	6.2	9.7	4.9	12.1	10.4
Total	109.6	119.0	112.3	117.8	116.2

Did you know?

- > Social Care income is mainly from the charitable activities of CrossReach, the Church's Social Care arm, and comes from local authorities and individual service users. A small proportion also comes from Tabeetha School
- > Other charitable activities are programmes with charitable aims which also provide the Church with income, such as provision of housing loans to retired ministers and their widows/ers and the production of publications such as Life and Work

Congregational Income

Congregations pay Ministries and Mission contributions on their assessed income, and the level of giving within congregations continues to hold steady thanks to the generosity of members. The National Stewardship Programme has been instrumental in helping congregations to increase their income from offerings and Gift Aid. Congregations completing a stewardship programme with the help of a consultant showed a £1 million increase in their total income.

Congregational income also included stipend endowment income of £3.3 million held by the General Trustees for congregations to use towards their Ministry and Mission contributions.

Donations, Grants and Trusts

Donations

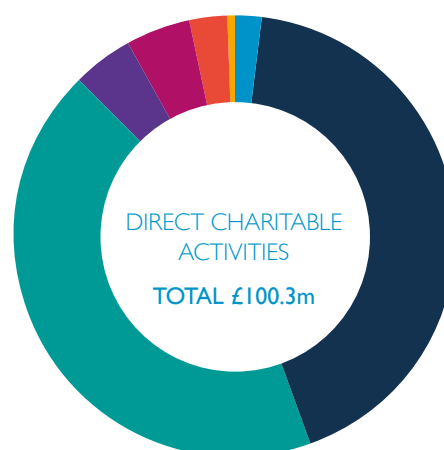
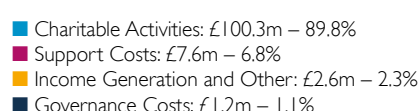
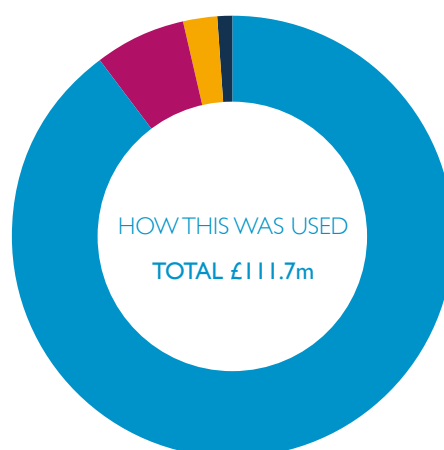
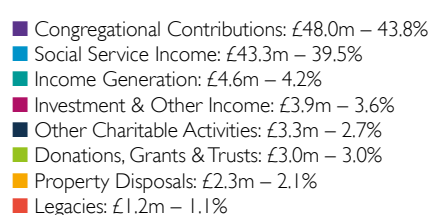
Our members have remained committed to supporting projects of the Church, reflected in voluntary donations from individuals, congregations and organisations remaining at the £1 million mark over several years. More congregations have taken part in fundraising events such as the very successful Souper Sunday, helping to bring in £68,000 for the HIV Programme in 2014, and Place at the Table, for refugee projects in Syria, which raised £41,000. Given that congregations and individuals have faced their own financial pressures during the challenging economic environment, this is all the more encouraging. The Guild continued its remarkable track record in fundraising, raising £140,000 for three Church of Scotland projects, CrossReach's Heart for Art, World Mission's Out of Africa into Malta, and Ministries' WEvolution. World Mission also received £259,000 of donations for its Partner Church projects overseas including some very generous individual donations. Many of these have resulted from World Mission's twinning programmes where congregations in Scotland have gone on to form long term and mutually beneficial relationships with congregations overseas.

Finally, the Go for It Fund received £202,000 from the General Trustees by way of contributions from gains on property sales.

Grants

The Church is enjoying more success in attracting external grant funding for some of its own and joint projects. £90,000 was received from the Voluntary Action Fund towards anti-sectarianism work.

£266,000 was received from the Storytelling Forum and Traditional Arts and Culture Scotland (TRACS) to fund staff and marketing at the Scottish Storytelling Centre.



Legacies

Legacies are difficult to predict and 2014 proved to be a lean year. CrossReach also experienced this, receiving only a third of its £600,000 legacy budget. World Mission however, received two legacies totalling £250,000 which led to its overall performance against budget being favourable in 2014. There are plans to increase awareness of legacies throughout the Church.

Expenditure

The Church's most valuable resource is its people and so the largest part, 70%, of its spending is on salary and stipend costs. This includes almost 1,000 ministers and Ministries Development Staff, overseas Mission Partners, 1,200 (full time equivalent) Social Care staff, and support staff. There are other costs associated with the running of such a large and complex charity, outlined on the table below.

	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
Expenditure					
Charitable	100.3	104.2	108.3	102.9	105.7
Support	7.6	7.9	7.5	7.2	7.0
Governance	1.2	1.2	1.1	1.1	1.1
Other	2.6	19.5	1.2	0.5	1.3
Total	111.7	132.8	118.1	111.7	115.1

The downward trend in charitable expenditure over the last five years is a consequence of the difficulty the Church has found in attracting sufficient ministers to fill vacancies as ministers retire. The Church's "Decade for Ministry", to be launched in 2015, is a key strategy aimed at addressing this issue. As in some other professions such as teaching, incentives are now offered in the form of higher bursaries during ministerial candidate training. An emerging theme is capacity building in local congregations. We facilitated that by the payment of grants from the Go for It Fund, which awarded just under £1 million in 2014, and through the funding of projects run by Ministries Priority Areas such as Chance to Thrive, which supports and mentors congregations in the poorest parishes, showing how churches, with local people leading, can play a key role in neighbourhood regeneration.

Grants awarded overall have increased from £2 million in 2010 to £4.8 million in 2014. They are awarded in accordance with set criteria and evaluation systems are in place to ensure full accountability.

Since 2008 the Church has made substantial deficit repair payments to its defined benefit pension schemes,

some from reserves, included in charitable expenditure. In addition, in 2013 and 2014 £2 million and £1.5 million respectively were paid by Ministries Council to the Pension Trustees to enhance the pensions of retired ministers with service before 1997, using funds provided by the Housing and Loan Fund.

The sharp increase in other expenditure in 2013 was due to the effects of closing the defined benefit pension schemes to future accrual. This is not money "lost" to the Church, but sits within the Pensions Reserve and may be used against other pension costs. The closure to future accrual of the defined benefit schemes from 1 January 2014, and the matching of scheme assets to liabilities, has already significantly reduced the volatility of results reported under Financial Reporting Standard 17 (FRS17) year on year. Further information is contained in Note 4 to the Financial Statements.

CrossReach made positive progress with year two of its three year restructuring plan and its deficit included £1 million of agreed exceptional costs as a result of this. There were also particular financial challenges in the running of a small number of care homes for older people.

Did you know?

- > Income Generation is where the Church is able to use assets, particularly property, to bring in additional money. Many of these activities also have a mission objective

Some Other Examples of our Charitable Activities:

The Church of Scotland provided financial support in the region of £3.4 million in 2014, through the subsidising of Parish Ministers' Stipends, employment of Ministries Development Staff and the funding of a range of incentives directly in support of the poorest parishes in Scotland. Ministries Priority Areas projects ranged from the awarding of local "from Ideas to Action" grants to congregations, running pilot projects such as Chance to Thrive and working with partnership organisations such as Faith in Community Scotland, WEvolution and "theGKexperience" to deliver the Church of Scotland's gospel towards the poorest and most marginalised.

Education and support of ministers (£877,000) included the recruitment and training of all new ministers, deacons, readers and ordained local ministers, study leave for ministers in service for 5 years or more and the provision of pastoral support to congregations in situations of particular difficulty.

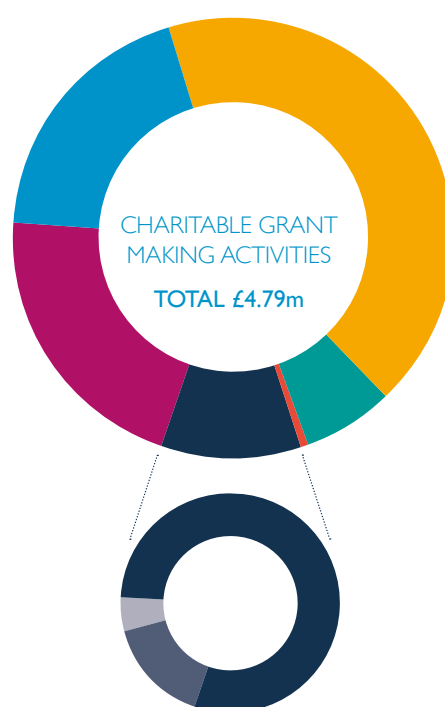
£377,000 was spent by the Mission and Discipleship Council on Congregational Learning and Resourcing Worship, including the very successful production of the first in a series of *Learn* resources for members and office-bearers.

Plans for Future Periods

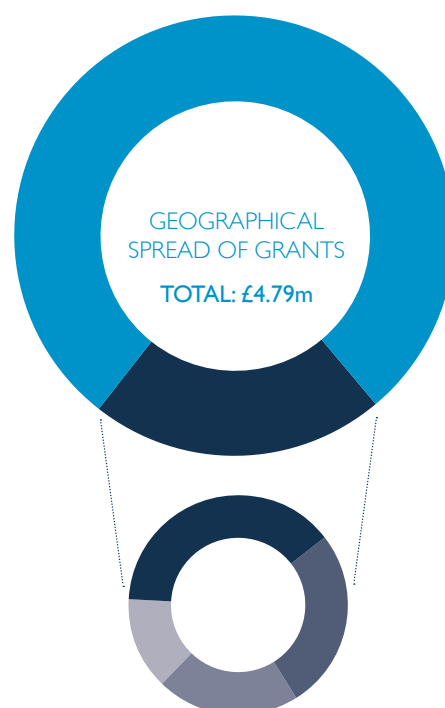
The General Assembly has agreed indicative balanced budgets for 2015, other than in the Social Care Council which will be in the final year of its three year restructuring programme, and minor deficits in some other areas where reviews are taking place.

The Joint Working Group set up following the 2014 General Assembly has been considering both how funding is raised for the Church's national activities, and how it is best spent. The Group includes members of the Panel on Review and Reform, Ministries Council and the General Trustees, and a wide range of issues has been considered, and views sought from other stakeholders. Three main strands have emerged but it has become clear that these are closely interrelated. These are Finance and Related Matters; Regional Church Systems, Structures and Ways of Working; and National Church Systems, Structures and Ways of Working.

The Council proposes to make recommendations for the short term (within twelve months) and longer term, to be reported to the 2016 General Assembly.



- Community Projects including Go For It £2.04m – 42.6%
- Theological Education and Partner Churches £992k – 20.7%
- Payments to Support Individual Congregations £921k – 19.2%
- Grants to Individuals £498k – 10.4%
- For the Relief of Poverty £322k – 6.7%
- For Heritage and the Environment £18k – 0.4%
- Bursaries and Educational Purposes £395k – 8.3%
- Cases of Hardship £77k – 1.6%
- Project Work of the Charity £26k – 0.5%



- UK £3.76m – 78.5%
- Other £1.03m – 21.5%
- Asia £398.9k – 8.4%
- Africa & Caribbean £272.1k – 5.7%
- Middle East £216.6k – 4.5%
- Europe £140.7k – 2.9%

Finance and Related Matters**Short Term**

- > A comprehensive review of the current Ministries and Mission contribution system
- > Work with Ministries Council on the financial implications of the Church's Decade for Ministry
- > Review of the funding of vacancies

Long Term

- > Review the current system of income disposition
- > Make recommendations about the Ministries and Mission contribution system

Regional Church Systems, Structures and Ways of Working**Short term**

- > Prepare case studies of change in local congregations, both of buildings and mission and taking account of Fresh Expressions developments
- > Consider further how to strengthen and support presbyteries to improve their capacity for effective regional leadership
- > Conduct research on leadership in other churches, especially in Presbyterian churches, and take account of their experiences in framing proposals for change

Long Term

- > Explore options for the inclusion of the General Trustees in Presbytery Plan decision-making, including any implications for Church Law

National Church Systems, Structures and Ways of Working**Long term**

- > Explore how Councils and Committees of the Church could

best be structured to support Presbytery involvement, and to encourage joint working in the interests of mission, and bring a report to the General Assembly

Reserves

At 31 December 2014, the available reserves, which exclude fixed assets and endowments, were £90.9 million (2013 £97million) which equates to ten months of expenditure. The Trustees consider that this is an appropriate level of reserves taking into account the following factors:

- > The level of congregational income upon which half of the income is based has been remarkably resilient and is unlikely to vary significantly in the short term
- > A relatively high level of reserves is required to meet the stipends of ordained ministers due to the nature of ministerial tenure and the broad range of the Church's operations
- > Each Council monitors its reserves and has strategies in place to balance budgets and use reserves appropriately

Other than some unrestricted income from donations, legacies and trading income, the reserves of the Unincorporated Councils and Committees are treated as restricted for the work of particular Councils and Committees. Some funds are further restricted to a specific purpose within these areas.

The negative pensions reserve of £9.4 million is attributable to CrossReach's own defined benefit pension scheme and its share of the deficit in two Local Government Pension Schemes (LGPS). See note 4 of "Notes to the Financial Statements" for more information.

Investment Policy

Under powers given by the Church of Scotland (Properties and Investments) Order Confirmation Act 1994, the Unincorporated Councils and Committees are

Did you know?

- > Support costs are an essential part of keeping the wheels turning in not only the national councils and departments, but in the wider network of congregations, in the UK and in such far flung places as Sri Lanka and even London. Advice is given on legal, financial, IT and many other essential areas, and support also includes the safeguarding of the vulnerable in all areas of the Church. Against a backdrop of increasing regulation for charities, we are pleased that these costs have been successfully contained in recent years
- > 154 Ministers benefited from study leave grants in 2014, allowing them the opportunity for further study and personal development to benefit ministry and those whom they serve
- > In 2014 Ministries Priority Areas and World Mission's "Together for A Change" project hosted visits from east Jerusalem to the east end of Glasgow and from Kenya to Drumchapel as well as supporting a visit from Chalmers Ardler in Dundee to Kenya to help build important international links between different communities struggling with poverty

permitted to invest, to an unlimited extent, in the funds provided by The Church of Scotland Investors Trust. Any investment outwith the Trust is subject to the provisions of the Charities and Trustee Investment (Scotland) Act 2005.

The Unincorporated Councils and Committees manage their investments to maximise the overall return on funds. The Council of Assembly has a policy of using only the Investors Trust and protocols have been put in place to ensure proper governance and accountability between the two parties.

The Investors Trust has an ethical investment policy and investment is avoided in any company whose management practices are judged by the Trustees to be unacceptable. In particular, investment is avoided in any company substantially involved in gambling, tobacco products, alcohol, armaments and other activities which are felt to harm society more than they benefit it. In general, investment is sought in companies that demonstrate responsible employment and good governance practices, have regard to environmental performance and human rights and act with sensitivity to the communities in which they operate.

The Investors Trust offers three funds - the Growth, Income and Deposit Funds, and investors obtain the benefits of professional management, continuous portfolio supervision, spread of investment risk and economies of scale.

The Growth Fund is mainly invested in equities and aims to provide a growing annual income sufficient to meet the Trustees' target distributions and to provide an increase in the value of capital long term. The Fund is managed by Newton Investment Management Limited.

The Income Fund is mainly invested in fixed interest securities and aims to provide sustainable income and to protect the nominal value of capital. The Fund is managed by Royal London Asset Management.

The Deposit Fund is intended for short-term investment and aims to provide a competitive rate of interest, whilst preserving nominal capital value. The Fund is invested in short-term deposits with banks and building societies and is managed by Thomas Miller Investment Limited. Short term cash of the Unincorporated Councils and Committees is deposited with the Investors Trust or on overnight deposit with the Royal Bank of Scotland.

Investment Performance

An internal benchmark, reflecting ethical constraints, has been agreed with the Managers of the Growth Fund in order to allow objective assessment to be made of

investment performance. In 2014 the total return was 8.2% (2013: 22.2%) against the internal benchmark of 8.2% (2013: 16.6%). The Income Fund's total investment return was 12.1% (2013: 5.2%) compared with the benchmark return of 11.2% (2013: 1.2%). The Deposit Fund's average rate of interest paid for 2014 was 0.56% (2013: 0.7%) compared with an average UK base rate of 0.5% unchanged since early March 2009.

Pension Schemes

The Church closed its defined benefit pension schemes to future accrual from 1 January 2014 (1 August 2013 for CrossReach) and in its place, ministers and staff are now able to join a defined contribution group personal pension plan with Legal and General. CrossReach had already operated a defined contribution plan for new staff since 2003.

The Schemes' Actuary for the defined benefit schemes carried out a three year valuation as at 31 December 2012 and agreed Schedules of Contributions are in place for deficit repair contributions. The Council of Assembly's Pensions Working Group has continued to work with the Pension Trustees during the transition period and was involved in the discussions around appropriate asset allocations for each of the schemes. In early 2013 the Pension Trustees moved a higher proportion of the funds to less risky assets which are already providing more stability for the future funding position of the defined benefit schemes. The Group has also been involved in setting up a governance framework for the new defined contribution schemes with representation from the employing agencies to monitor their administration and the performance of Legal and General.

In addition, the Schemes' Actuary carries out a separate annual valuation in line with accounting standard FRS17, which may result in a different funding position. The 31 December 2014 valuation showed a deficit of £4.1 million relating to the CrossReach scheme only.

Certain employees of CrossReach are members of Local Government Pension Schemes (LGPS) and for 2014 FRS17 valuations have been obtained for the first time, showing the Church's share of the deficit as £5.3 million. This has been incorporated in the financial statements with the result that the combined defined benefit pension scheme deficit shown on the balance sheet is £9.4m. Note 4 to the Financial Statements gives full disclosures as required by FRS17. The opening share of the deficit as at 1 January 2014 was incorporated into the Statement of Financial Activities as a resource expended of £4.1 million as disclosed in Note 14 to the Financial Statements.

Other Recognised Gains and Losses

FRS 17 requires the disclosure of actuarial gains or losses during the year and the combined loss of £7.6million (2013 gain £22.6million) on all defined benefit schemes was disclosed under Other Recognised Gains and Losses.

Each year the Church's investments are revalued at the unit price published by the Church of Scotland Investors Trust and the resulting unrealised gain for 2014 was £4.4million (2013: £12.7million).

In accordance with Statement of Standard Accounting Practice 20, Foreign Currency Translation, the net assets of the Israeli Subsidiaries and World Mission Council's bank accounts in Israel were translated to sterling at the rate of exchange ruling at 31 December 2014. This led to unrealised foreign currency losses of £1.417million and gains of £0.467million respectively as detailed in note 19 to the Financial Statements.

Responsibilities of Trustees

Statement of Trustees' Responsibilities

The trustees are responsible for preparing the Trustees' Annual Report 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 the group and of the incoming resources and application of resources of the group for that period.

In preparing these financial statements, the trustees are required to:

- > Select suitable accounting policies and then apply them consistently
- > Observe the methods and principles in the Charities SORP
- > Make judgments 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 business

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Approved by the trustees and signed on their behalf by:

Rev Dr Grant Barclay LLB DipLP BD MSc PhD: **Convener**
Murdo Macmillan CA: **Convener, Finance Group**
Pauline Weibye MA, DPA Chartered FCIPD: **Secretary**

Edinburgh
20 April 2015

Auditors' Report

Independent auditors' report to the Trustees of the Church of Scotland Unincorporated Councils and Committees

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- > give a true and fair view of the state of the group and parent charity's affairs as at 31 December 2014 and of its incoming resources, application of resources and cash flows, 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).

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by the Church of Scotland Unincorporated Councils and Committees, comprise:

- > the group and parent charity's balance sheet as at 31 December 2014;
- > the group's statement of financial activities for the year then ended;
- > the group cash flow statement for the year then ended; and
- > the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the Trustees have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- > whether the accounting policies are appropriate to the group and parent charity's circumstances and have been consistently applied and adequately disclosed;
- > the reasonableness of significant accounting estimates made by the Trustees; and
- > the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Trustees' Report (the "Annual Report") to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matters on which we are required to report by exception

Sufficiency of accounting records and information and explanations received

Under the Charities Accounts (Scotland) Regulations 2006 (as amended) we are required to report to you if, in our opinion:

- > we have not received all the information and explanations we require for our audit; or
- > sufficient accounting records have not been kept; or
- > the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Other information in the Annual Report

Under the Charities Accounts (Scotland) Regulations 2006 (as amended) we are required to report to you if, in our opinion the information given in the Trustees' Annual Report is inconsistent in any material respect with the financial statements. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Trustees

As explained more fully in the Statement of Trustees' Responsibilities set out on page 42, the Trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

This report, including the opinions, has been prepared for and only for the charity's Trustees as a body in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulations made under that Act (regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended)) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
Glasgow
20 April 2015

PricewaterhouseCoopers LLP is eligible to act, and has been appointed, as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005.

Financial Statements

While Jesus was in Bethany, reclining at the table in the home of Simon the Leper, a woman came with an alabaster jar of very expensive perfume, made of pure nard. She broke the jar and poured the perfume on his head.

Some of those present were saying indignantly to one another, “Why this waste of perfume? It could have been sold for more than a year’s wages and the money given to the poor.” And they rebuked her harshly.

“Leave her alone,” said Jesus. “Why are you bothering her? She has done a beautiful thing to me. The poor you will always have with you, and you can help them any time you want. But you will not always have me. She did what she could. She poured perfume on my body beforehand to prepare for my burial. Truly I tell you, wherever the gospel is preached throughout the world, what she has done will also be told, in memory of her.”

Mark 14

Consolidated Statement of Financial Activities for the year ended 31 December 2014

Note		Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total 2014 £000	Total 2013 £000
Incoming Resources						
	Incoming Resources from Generated Funds					
5	Voluntary Income	861	51,323	-	52,184	55,188
6	Activities for Generating Funds	4,435	179	-	4,614	5,423
7	Investment Income	1	2,830	1,001	3,832	5,841
8	Incoming Resources from Charitable Activities	3,377	43,334	-	46,711	48,794
9	Other Incoming Resources	(24)	2,317	-	2,293	3,795
	Total Incoming Resources	8,650	99,983	1,001	109,634	119,041
Resources Expended						
10	Costs of Generating Funds	4,067	421	-	4,488	5,975
11	Charitable Activities	3,446	104,544	-	107,990	112,102
13	Governance Costs	-	1,172	-	1,172	1,176
14	Other Resources Expended	-	(1,975)	-	(1,975)	13,574
	Total Resources Expended	7,513	104,162	-	111,675	132,827
	Net Incoming/(Outgoing) Resources before Transfers	1,137	(4,179)	1,001	(2,041)	(13,786)
29, 31 & 32	Transfers	(721)	1,574	(853)	-	-
	Net Incoming/(Outgoing) Resources before Other Recognised Gains & Losses	416	(2,605)	148	(2,041)	(13,786)
Other Recognised Gains and Losses						
	Gains on Investment Assets					
18	Realised	-	43	-	43	685
18	Unrealised	-	3,421	987	4,408	12,743
19	Unrealised (Losses)/Gains on Foreign Currency	(1,417)	467	-	(950)	458
4	Actuarial (Losses)/Gains on Defined Benefit Pension Schemes	-	(7,645)	-	(7,645)	22,226
	Net Movement in Funds	(1,001)	(6,319)	1,135	(6,185)	22,326
	Fund Balances brought forward at 1 January	1,333	150,842	24,055	176,230	153,904
29, 31 & 32	Fund Balances carried forward at 31 December	332	144,523	25,190	170,045	176,230

The above results are derived from continuing activities. There is no material difference between the incoming/(outgoing) resources for the financial year stated above and their historical cost equivalents.

Charity Statement of Financial Activities for the year ended 31 December 2014

Note		Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total 2014 £000	Total 2013 £000
Incoming Resources						
	Incoming Resources from Generated Funds					
5	Voluntary Income	720	51,323	-	52,043	55,118
6	Activities for Generating Funds	33	179	-	212	203
7	Investment Income	1	2,830	1,001	3,832	5,841
8	Incoming Resources from Charitable Activities	2,101	43,334	-	45,435	47,582
9	Other Incoming Resources	-	2,317	-	2,317	3,189
	Total Incoming Resources	2,855	99,983	1,001	103,839	111,933
Resources Expended						
10	Costs of Generating Funds	33	421	-	454	453
11	Charitable Activities	2,101	104,544	-	106,645	110,805
13	Governance Costs	-	1,172	-	1,172	1,176
14	Other Resources Expended	-	(1,975)	-	(1,975)	13,574
	Total Resources Expended	2,134	104,162	-	106,296	126,008
	Net Incoming/(Outgoing) Resources before Transfers	721	(4,179)	1,001	(2,457)	(14,075)
30, 31 & 32	Transfers between Funds	(721)	1,574	(853)	-	-
	Net (Outgoing)/Incoming Resources before Other Recognised Gains and Losses	-	(2,605)	148	(2,457)	(14,075)
Other Recognised Gains and Losses						
	Gains on Investment Assets					
18	Realised	-	43	-	43	685
18	Unrealised	-	3,421	987	4,408	12,743
19	Unrealised Gains/(Losses) on Foreign Currency	-	467	-	467	(114)
4	Actuarial (Losses)/Gains on Defined Benefit Pension Schemes	-	(7,645)	-	(7,645)	22,226
	Net Movement in Funds	-	(6,319)	1,135	(5,184)	21,465
	Fund Balances brought forward at 1 January	225	150,842	24,055	175,122	153,657
30, 31 & 32	Fund Balances carried forward at 31 December	225	144,523	25,190	169,938	175,122

The above results are derived from continuing activities. There is no material difference between the incoming/(outgoing) resources for the financial year stated above and their historical cost equivalents.

Balance Sheets as at 31 December 2014

Note		Group		Charity	
		2014 £000	2013 £000	2014 £000	2013 £000
	Fixed Assets				
16	Tangible Assets	53,903	55,166	45,135	45,344
17 & 18	Investments	107,919	103,551	108,427	103,551
20	Programme Related Investments	6,482	6,261	6,482	6,261
	Total Fixed Assets	168,304	164,978	160,044	155,156
	Current Assets				
21	Programme Related Investments	366	400	486	526
	Stocks and Work in Progress	77	95	38	38
22	Debtors	5,300	5,534	4,790	5,391
23	Short Term Deposits	24,618	26,693	24,536	26,605
	Cash at Bank and in Hand	2,023	2,743	1,384	2,330
	Total Current Assets	32,384	35,465	31,234	34,890
24	Creditors: Amounts falling due within one year	19,898	19,448	10,838	10,392
	Net Current Assets	12,486	16,017	20,396	24,498
	Total Assets less Current Liabilities	180,790	180,995	180,440	179,654
25	Creditors: Amounts falling due after One Year	475	601	475	601
26	Provision for Liabilities and Charges	846	896	603	663
		1,321	1,497	1,078	1,264
	Net Assets excluding Pension Liability	179,469	179,498	179,362	178,390
4	Defined Benefit Pension Liability	(9,424)	(3,268)	(9,424)	(3,268)
27 & 28	Net Assets including Pension Liability	170,045	176,230	169,938	175,122
	The Funds of the Group and Charity:				
32	Endowment Funds	25,190	24,055	25,190	24,055
29 & 30	Unrestricted Income Funds	332	1,333	225	225
	Restricted Funds:				
	Pension Reserve	(9,424)	(3,268)	(9,424)	(3,268)
	Restricted Income Funds	153,947	154,110	153,947	154,110
31	Total Restricted Funds	144,523	150,842	144,523	150,842
	Total Funds of the Group and Charity	170,045	176,230	169,938	175,122

The Financial Statements on Pages 46 to 74 were approved and authorised by the Council of Assembly on 20 April 2015 and signed on its behalf by :

Rev Dr Grant Barclay LLB DipLP BD MSc PhD: **Convener**

Murdo Macmillan CA: **Convener, Finance Group**

Iain W Grimmond BAcc CA: **General Treasurer**

The Notes on pages 50 to 74 form part of these Financial Statements

Consolidated Cash Flow Statement for the year ended 31 December 2014

	2014 £000	2014 £000	2013 £000	2013 £000
Operating Activities				
Net (Outgoing) Resources	(2,041)		(13,786)	
Interest Received	(24)		(101)	
Investment Income	(4,294)		(4,422)	
Depreciation	2,459		2,762	
Foreign Currency Exchange Adjustment	528		-	
Property Introduced	-		(415)	
Gain on Disposal of Fixed Assets	(2,293)		(3,188)	
Unrealised (Loss)/Gain on Foreign Currency	(950)		458	
Grants	1,358		946	
(Increase)/Decrease in Debtors	234		(226)	
Increase/(Decrease) in Creditors	(1,542)		(792)	
Increase/(Decrease) in Provisions	(50)		(45)	
(Decrease)/Increase in Pension Scheme Liability	(1,489)		12,256	
Decrease/(Increase) in Stocks	18		(7)	
Net Cash (Outflow) from Operating Activities		(8,086)		(6,560)
Returns on Investment and Servicing of Finance				
Interest Received	24		101	
Investment Income	4,294		4,422	
Net Cash Inflow from Returns on Investment and Servicing of Finance		4,318		4,523
Capital Expenditure and Financial Investments				
Payments to Acquire Tangible Fixed Assets	(2,801)		(2,971)	
Receipts from Sale of Tangible Fixed Assets	3,370		4,574	
Payments to Acquire Investments	(3,698)		(2,822)	
Receipts from Sale of Investments	3,781		7,045	
Granting of Loans	(552)		(1,202)	
Repayment of Loans Granted	365		888	
Net Cash Inflow from Capital Expenditure and Investing Activities		465		5,512
(Decrease)/Increase in Cash		(3,303)		3,475
Reconciliation of Net Cash Flow to Movement in Net Funds				
(Decrease)/Increase in Cash		(3,303)		3,475
Net Funds at 1 January		21,337		17,862
Net Funds at 31 December		18,034		21,337

Analysis of Changes in Net Funds	1 January 2014 £000	Cash Flows £000	31 December 2014 £000
Short Term Deposits	26,693	(2,075)	24,618
Bank and Cash	2,743	(720)	2,023
Bank Overdraft	(8,099)	(508)	(8,607)
Net Funds	21,337	(3,303)	18,034

Notes to the Financial Statements for the year ended 31 December 2014

I. Accounting Policies

Basis of Accounting

The financial statements have been prepared in accordance with the historical cost convention as modified by the revaluation of investments; and in accordance with the Statement of Recommended Practice "Accounting and Reporting by Charities" issued in March 2005, and as updated in May 2008; applicable accounting standards in the United Kingdom; the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 8 of the Charities Accounts (Scotland) Regulations 2006 as amended. The financial statements have been prepared on a going concern basis with consistently applied accounting policies.

Basis of Consolidation

The consolidated financial statements include the activities of the charity's two trading subsidiaries and its school in Israel whose activities have been consolidated in accordance with FRS 2, Accounting for Subsidiary Undertakings. The consolidated financial statements exclude the trading activities of the trading subsidiary Circle of Care Trading Limited which is considered immaterial to the overall results (see note 33). The accounting policies used by the subsidiaries are on the same basis as the charity. There may be local reasons in Israel for departing from these policies and where these are identified they are adjusted for the purposes of the consolidated results. There is therefore no effect on the Financial Statements caused by using differing accounting policies.

Funds

Funds held by the Unincorporated Councils and Committees of the Church of Scotland can be categorised as follows:

> Unrestricted Funds

These are funds which are expendable in furtherance of any of the purposes of the Church of Scotland

> Designated Funds

These are funds which are expendable on the work of specified Councils, Committees, Other Funds or specific projects as decided by the Trustees

> Restricted Funds

These are funds which are subject to donor restrictions and may only be used for the work of a specified Council, Committee or Other Fund, or for a specific purpose or project within a Council, Committee or Other Fund

> Permanent Endowment Funds

These are Capital funds where there is no power to convert the capital into income, i.e. the capital must be held in perpetuity and only the income can be expended. Income from these funds is treated as restricted

> Expendable Endowment Funds

These are Capital funds where there is discretion to convert the capital into income

Incoming Resources

All incoming resources including voluntary income, income from activities for generating funds, investment income, incoming resources from charitable activities and other incoming resources are accounted for in the Statement of Financial Activities when there is legal entitlement to the income and the amount can be quantified with reasonable accuracy.

For legacies, entitlement is the earlier of the estate account being approved and the date of receipt. This policy is applied to pecuniary legacies, residuary legacies and legacies subject to a liferent held by another party.

Income received from fundraising activities organised by volunteers and fund raising managers, excluding merchandised sales which are separately accounted for through Circle of Care Trading Limited (see note 33), is included at the value remitted. No amount has been included for services donated by volunteers.

All grants and contractual payments under funding arrangements from central and local government and their agencies are included on a receivable basis. Incoming resources from grants, where there are service or performance deliverables required by the terms of the grant, are accounted for as the charity earns the right to payment through its performance. Restricted income received for expenditure in future accounting periods is deferred and included in creditors.

For Congregational Contributions, entitlement is considered to be the point where contributions statements for the current financial year have been issued. Adjustments to income are subsequently made throughout the year.

Resources Expended

Resources Expended are included in the Statement of Financial Activities on an accruals basis and allocated to the appropriate heading in the Financial Statements. The costs of generating funds include the costs incurred in generating voluntary income and fundraising trading costs. These costs are regarded as necessary to generate funds that are needed to finance charitable activities.

Expenditure on charitable activities enables the Church of Scotland to meet its charitable aims and objectives. It is reported as a functional analysis of the work undertaken by the five Councils under their remits as described in the Trustees' report. Under these headings are costs of employing staff to carry out the charitable activities, grants paid and other programme costs, as well as associated support costs. Salary costs are recognised as expenditure on an accruals basis and grants payable in furtherance of the charitable objectives are recognised as expenditure when payment is due to the partner organisation in accordance with agreements made. Agreements are typically for one year but may span several years. For capital contracts in place at the year end which include payments to be made in future years, these payments are disclosed in note 34 to the Financial Statements.

Governance costs are the costs associated with the governance arrangements of the Church of Scotland. These costs are largely the costs associated with meeting constitutional and statutory requirements such as the costs of Council of Assembly meetings and the costs of the General Assembly. Also included are the costs of preparation of the Church's annual Financial Statements, and external and internal audit. This category also includes costs associated with the strategic as opposed to the day-to-day management of the Charity.

Support costs include finance, payroll administration, legal advice, human resources, information technology, communication and property management costs. These support costs are all allocated to charitable activities and to the relevant Council based on direct expenditure, which is considered to be in a similar proportion to salary costs.

Recognition of Liabilities

Liabilities are recognised as resources expended as soon as there is a legal or constructive obligation committing the charity to the expenditure.

Onerous Lease - a provision is made for the best estimate of unavoidable lease payments where there is deemed to be an onerous lease (i.e. where the economic benefits expected are less than the costs of meeting the obligation).

Operating Leases

Costs in respect of operating leases are charged on a straight line basis over the lease term.

Value Added Tax

Incoming resources and resources expended are shown in the financial statements inclusive of VAT where appropriate. All Councils, Committees and Departments receive a partial recovery of input tax; in most cases this is minimal. VAT recovered is adjusted against incoming resources or resources expended as appropriate.

Investments

Investments are stated at market value at the Balance Sheet date and in the case of equity based investments the valuation basis is middle market value. Realised gains and losses on disposal are recorded in the Statement of Financial Activities at sale proceeds less market value at the start of the financial year. Unrealised gains and losses are recorded in the Statement of Financial Activities as the difference between market value at the start and end of the financial year. Programme Related Investments are stated as the value of loans granted less repayments to date.

Tangible Fixed Assets

Heritable and Other Properties

The titles to properties in Scotland belonging to the Unincorporated Councils and Committees are held by The Church of Scotland General Trustees with beneficiary nominees being the Unincorporated Councils and Committees. The titles to properties outwith Scotland are held by The Church of Scotland Trust with beneficiary nominees being the World Mission Council.

All properties are capitalised in accordance with FRS 15, Tangible Fixed Assets. All properties are included at cost or estimated cost. Overseas properties used for the activities of the three subsidiaries in Israel are included at cost. All other overseas properties are included at cost or a reasonable approximation of cost. Certain overseas properties were donated or constructed in the 19th century and costs have been estimated by comparing these to similar overseas properties whose costs were more reliably documented. The values are not considered to be material on either cost or depreciated cost. Operational properties include care homes and other properties operated by the CrossReach, office premises and other specialist properties such as the Scottish Storytelling Centre. Impairment reviews are carried out annually when indicators are present.

Other Tangible Fixed Assets

Other tangible fixed assets with a cost of more than £5,000 are capitalised. On refurbishing a building smaller assets will be grouped and summed together for the purposes of additions to fixed assets.

Depreciation

Depreciation is provided on Tangible Fixed Assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life as follows :

Heritable and Other Properties	
Residential Properties, Churches and Manses	50 years
Operational Constructed Properties – traditional	50 years
Operational Constructed Properties – prefabricated	20 years
Operational Refurbished Properties	25 years
Limited Lifespan Properties	15 years
Motor Vehicles	4 years
Equipment and Furniture	
Computer Equipment	3 years
Office Equipment and Plant and Machinery	5 years
Furniture and Fittings	10 years

Land and assets under construction are not depreciated.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Cash and Liquid Resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Liquid resources are current asset investments which may be disposed of without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market. Liquid resources comprise term deposits of less than one year.

Foreign Currencies

Transactions in foreign currencies are translated at rates prevailing at the date of the transaction. Balances denominated in foreign currencies are translated at the rate of exchange prevailing at the year end. The consolidation of the 2014 balance sheets of the subsidiaries in Israel have been incorporated at the year end rate. The income and expenditure has been translated at the average monthly rate.

Pensions

The Church of Scotland operates both defined benefit and defined contribution pension schemes. In addition, certain employees of the Social Care Council are members of Local Government Pension Schemes. The assets of

all the schemes are held separately from those of the Unincorporated Councils and Committees of The Church of Scotland.

Defined benefit pension scheme assets are measured using bid price values at the balance sheet date. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on UK Government bonds and the average spread between high quality corporate bonds and similarly dated Government bond yields.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is included in the statement of financial activities.

Other than in the Social Care Council, defined benefit pension costs cannot be accurately allocated to individual Councils and department expense categories, as it is not possible to identify with which employee the pension cost lies. In order to recognise the costs per Council of providing a pension, a charge has been included based on the contributions made for that Council's employees and an overall credit shown for the total contributions paid.

For the defined contribution schemes, the amount charged to the statement of financial activities in respect of pension costs and other post retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet. Prior to financial year ended 31 December 2014, the Social Care Council's share of assets and liabilities in the Local Government Schemes could not be identified on a consistent and reasonable basis and the charity accounted for the schemes as defined contribution schemes with contributions payable in year being recognised through the Statement of Financial Activities. From financial year ended 31 December 2014 valuations for the purposes of FRS 17 were obtained and the share of the deficits in the schemes have been recognised in the Statement of Financial Activities and Balance Sheet as described above.

Taxation

The Church of Scotland Unincorporated Councils and Committees meets the definition of a charity in terms of the Finance Act 2010 for UK corporation tax purposes and accordingly is exempt from taxation on income, and on capital gains covered within the Taxation of Chargeable Gains Act 1992 insofar as such income or gains are applied exclusively to charitable purposes. It is currently believed that there is no liability to UK corporation tax or capital gains tax.

2. Related Parties

The Church of Scotland Investors Trust was incorporated by the Church of Scotland (Properties and Investments) Order Confirmation Act 1994. All investments of the Unincorporated Councils and Committees are made through the investment funds provided by The Church of Scotland Investors Trust. During the year the Unincorporated Councils & Committees charged £114,000 (2013: £110,000) to the Investors Trust for management services provided by staff in the Stewardship and Finance Department. At 31 December 2014 the Unincorporated Councils & Committees had a net creditor balance due of £2,252,000 (2013: net creditor £988,000).

The Church of Scotland Trust was incorporated by the Church of Scotland Trust Order Confirmation Act 1932. The Church of Scotland Trust holds the titles to the properties outwith Scotland of the Unincorporated Councils and Committees. It also holds, on behalf of the World Mission Council, all the shares in St Andrew's Galilee Company Limited in Tiberias and St. Andrew's Scottish Centre Limited in Jerusalem, both of which are incorporated in Israel as "foreign institutions". The World Mission Council has given an indemnity to the Trust in respect of all liabilities arising from its shareholding. During the year the Unincorporated Councils & Committees made a grant of £32,000 (2013: £30,000) to the Church of Scotland Trust. The Church of Scotland Trust paid £35,000 to the Unincorporated Councils and Committees in respect of finance and legal services (2013: £33,000). At 31 December 2014 the Unincorporated Councils & Committees had a debtor balance due of £7,000 (2013: Creditor £1,000).

The Church of Scotland General Trustees were incorporated by the Church of Scotland (General Trustees) Order Confirmation Act 1921. The General Trustees hold the titles to the properties in Scotland of the Unincorporated Councils and Committees. In 2014 the General Trustees paid over to Ministry Funds stipend endowment income of £3,258,000 (2013: £3,208,000). They also paid £202,000 to the Ministries Council's Go For It Fund representing that council's one-half share of the Levy on property sales (2013: £96,000) and gave a grant of £36,000 to the Chance to Thrive project. During the year, the Ministries Council transferred to the General Trustees and the congregations concerned, the administrative responsibility in respect of churches and manses of New Charge Development and Church Extension Charges which achieved Full Status. As at 31 December 2014 the Unincorporated Councils & Committees had a creditor

balance due of £7,000 (2013: creditor £56,000) in respect of monies held in the Church's internal banking system. The Ministries Council had a loan due to the General Trustees of £100,000 (2013: £100,000). £464,000 was paid (2013: £438,000) in respect of legal, IT, HR and financial services.

The Church of Scotland Pension Trustees, an unincorporated body constituted by the General Assembly, administer the following Pension Schemes

- > The Church of Scotland Pension Scheme for Ministers and Overseas Missionaries
- > The Church of Scotland Pension Scheme for Presbytery and Parish Workers (formerly National Mission)
- > The Church of Scotland Pension Scheme for Staff

The members of the bodies shown above are appointed by the General Assembly. In the case of the Church of Scotland Pension Trustees, additional trustees for the individual Pension Schemes are appointed by the Scheme members. During the year the Unincorporated Councils & Committees paid £6,282,000 (2013: £14,299,000) to the Pension Trustees for employer pension contributions. The Pension Trustees paid £13,860,000 (2013: £13,600,000) in the year to the Unincorporated Councils & Committees in respect of pensions paid, and £404,000 (2013: £374,000) in respect of management fees.

Each of the related parties reports annually to the General Assembly and, because of their independent legal status produce separate financial statements and appoint their own Auditors.

Parish Ministers – 9 of the 21 Trustees (2013: 10 of 20) who served during the financial year are Parish Ministers who are appointed by individual congregations and inducted by presbyteries. All parish ministers are paid in accordance with the National Stipend Scale, changes to which are decided upon annually by the non-stipendiary members of the Council of Assembly. Non stipendiary members are required to declare any interest, such as connected persons who receive a stipend, prior to such decisions being made. With the exception of ministerial stipends, there were no material transactions, loans or services provided for or by Trustees and connected persons in 2014.

3. Staff Costs and Numbers

Staff are paid and/or employed by the Ministries Council, Social Care Council, Central Services Committee (CSC) and World Mission Council and the resultant costs are included under expenditure disclosed in Notes 11, 12 and 13.

For completeness, the following statistics include parish ministers, although they are "office holders" and not "employees". Ministers are not employed in the sense of holding a contract, but are recruited, trained, supported

and paid from the Ministries Council's budget.

The Social Care Council's staff costs include £2.7 million for agency staff (2013: £2.5 million). These staff are not included in the average staff numbers noted below. Agency staff are employed due to the difficulty in recruiting permanent staff to work in care homes and units. Agency staff are used by other Councils but the cost is considered to be immaterial.

	Ministries £000	Social Care £000	CSC £000	World Mission £000	Not Allocated £000	2014 Total £000	2013 Total £000
Staff Costs							
Salaries and Stipends	29,127	30,681	6,167	453	-	66,428	67,187
Social Security Costs	2,713	1,916	581	26	-	5,236	5,783
Pension Costs – Defined Contribution	3,628	870	768	83	-	5,349	1,011
Pension Costs – Defined Benefit	-	637	-	-	488	1,125	25,162
	35,468	34,104	7,516	562	488	78,138	99,143

	Ministries No.	Social Care No.	CSC No.	World Mission No.	2014 Total No.	2013 Total No.
Average Staff Numbers						
Monthly Average	991	1,996	231	23	3,241	3,322
Full Time Equivalents	962	1,231	205	23	2,421	2,513

	Ministries No.	Social Care No.	CSC No.	World Mission No.	2014 Total No.	2013 Total No.
Salary Bands						
Number of employees receiving salaries, plus benefits in kind, of more than £60,000 was:						
£60,001 - £70,000	-	1	5	-	6	8
£70,001 - £80,000	-	1	-	-	1	1
£80,001 - £90,000	-	-	-	1	1	-

World Mission employees serve overseas and their benefits include the provision of living accommodation and a vehicle

Retirement benefits are accruing to eight (2013: nine) higher paid employees under defined benefit schemes. Employer contributions to the defined benefit schemes were £65,000 (2013: £104,000).

Subsidiary Companies and Tabeetha School

Staff employed by three institutions in Israel are paid in New Israeli Shekels, translated to sterling for the purposes

of the consolidated financial statements. Social security costs in Israel are not comparable to those in the United Kingdom and costs and benefits disclosed below include benefits which are required legally or by industry custom and practice. These include provisions for severance pay, educational and pensions plans and disability provision. Senior hotel managers receive performance related bonuses and use of a vehicle, all of which are taxable benefits.

	2014 £000	2013 £000
Staff Costs		
Salaries	2,684	2,882
Social Security Costs	134	120
Pension Costs	160	223
	2,978	3,225

	2014 No.	2013 No.
Average Staff Numbers		
Monthly Average	157	158
Full Time Equivalents	101	128

Employees received emoluments including local benefits in kind as described above, which when converted to sterling were as follows:

- > £60,000 to £70,000 – 1 (2013: 0)
- > £100,000 to £110,000 – 1 (2013: 1)
- > £140,000 to £150,000 – 1 (2013: 1)

4. Pension Schemes

Details of Schemes

The Church of Scotland has six Pension Schemes, three of which are defined contribution schemes, and three defined benefit schemes.

Defined Contribution Schemes

The Social Care Council has operated a defined contribution scheme for its staff since 2003. Until August 2013 this was provided by AXA. Since August 2013 the scheme was provided by Legal and General with employer rates of 5%.

From 1 October 2013 two further defined contribution schemes were provided by Legal and General, one for employees of the Ministries and World Mission Councils with employer rates of 11.5% to 14%, and one for employees of the Central Services Committee with employer rates of 11.5% to 14%. A statutory minimum compliance employer rate of 1% is provided for certain categories of workers such as locum ministers.

At 31 December 2014 no employees' contributions were due to be paid over to the pension provider (2013: £98,000).

Defined Benefit Schemes

- > The Scheme for Ministers and Overseas Missionaries (for employees of the Ministries Council and World Mission Council). The Scheme has three separate funds, the Main Pension Fund, the Contributors' Pension Fund and the Widows' and Orphans' Fund. Both the Contributors' and the Widows' and Orphans' Funds are believed to be in surplus, but because the surplus is not recoverable by the employer, full disclosure has not been provided

- > The Scheme for Staff (employees of the Social Care Council and the Central Services Committee). The Scheme has two separate funds, the Social Care Fund and the Central Services Committee Fund (CSC Fund)
- > The Scheme for Presbytery and Parish Workers (PPWs), formerly the Scheme for National Mission (for certain employees of the Ministries Council)

The Social Care component of the Staff Scheme was closed to future accrual in August 2013 and the other three Schemes closed to future accrual after 31 December 2013.

All three defined benefit pension schemes provided facilities for additional voluntary contributions with either Scottish Widows or Standard Life until 31 December 2013. Certain voluntary contributions were allowed to continue after that date.

All assets are held independently of the Church of Scotland by the Church of Scotland Pension Trustees. The investments of the Pension Schemes are held in the Pension Investment Fund, which is operated on a unitised basis, the Managers being Baillie Gifford & Co, Aberdeen Asset Management Ltd, BlackRock Asset Management (UK) Ltd, Legal & General Investment Management Ltd, Kames Capital Plc and Newton Investment Management Ltd. The Pension Investment Fund was created in June 1998 and formalised on 17 May 2005 by Trust Deed. The Pension Investment Fund has one Trustee, the Church of Scotland Pension Investment Fund Trustee Limited.

Treatment in Financial Statements

The Schemes closed to future accrual on 31 December 2013 with the exception of the Widows' & Orphans' Fund, for which only employee contributions are paid, based on historic calculations. Consequently, with this exception, from 2014 the only contributions payable relate to past service. Actuarial valuations for the three defined benefit

schemes were carried out as at 31 December 2012. The Actuary has determined contribution rates for funding past service, and these will be funded from the reserves of those Councils whose past and present employees are scheme members. The contributions for 2014 and 2015 are as follows:

	Main Pension Fund £000	PPW Scheme £000	Social Care Fund £000	CSC £000
2014				
Employer – Past Service	4,246	503	917	280
2015				
Employer – Past Service	2,566	522	952	280

Assumptions

In order to determine the FRS 17 liability as at 31 December 2014, the Actuary adopted a set of demographic assumptions that are consistent with those proposed for the formal funding valuation of the Schemes as at the same date. Under FRS 17, the liability on the

schemes needs to be reviewed annually and a provision made for any deficit. Accordingly, the valuations at 31 December 2012 have been updated by the Schemes' Actuary using the projected unit method, based on the following assumptions:

	2014 %	2013 %
Financial Assumptions		
Rate of Increase in Earnings	N/A	N/A
Rate of Increases in Pensions Subject to a Maximum of 5% p.a.	2.40	2.80
Rate of Increases in Pensions Subject to a Maximum of 2.5% p.a.	2.40	2.50
Rate of RPI Inflation	3.15	3.65
Rate of CPI Inflation	2.40	2.80
Discount Rate	3.50	4.40
Long Term Return on Assets:		
Equities, Derivatives, Investment Funds and Insurance Contracts	3.50	6.35
Corporate Bonds, Asset-backed Securities and Structured Debt	3.50	4.40
Bonds	3.50	3.60
Property	3.50	5.10
Cash	3.50	0.50
Overall Return	3.50	3.93

The above assumptions were agreed in consultation with the employing agencies.

Mortality Assumptions

The assumed mortality rates are based on Scheme specific base tables and assume a long term annual improvement rate of 1.5% per annum. The assumed life expectancies using these tables are:

- > Average across schemes of 22.2 years for a male currently aged 65 and 24.4 years at age 65 for a male currently aged 45
- > Average across schemes of 24.6 years for a female currently aged 65 and 26.7 years at age 65 for a female currently aged 45

Multi - Employer Defined Benefit Schemes

Certain employees of the Social Care Council are members of Local Government Pension Schemes (LGPS) namely Falkirk and Strathclyde Pension Schemes. Previously it had not been possible to obtain an accurate valuation of the funding position of the employer's share of the underlying assets and liabilities of these schemes. However valuations have been obtained as at 31 December 2014 and the £5.3 million share of the deficit has been reflected in the Financial Statements. The assumptions used are disclosed below and where they differ, both have been shown. The effects are reflected in the Statement of Financial Activities and Balance Sheet along with the figures pertaining to the Church's own pension schemes.

	2014 %	2013 %
Financial Assumptions		
Rate of Increase in Earnings	3.80/4.30	4.20/5.20
Rate of Increase in Pensions	2.40	2.80/2.90
Discount Rate	3.60	4.60
Long Term Return on Assets:		
Equities	3.60	6.90
Bonds	3.60	3.80/3.90
Property	3.60	5.10
Cash	3.60	4.00
Overall Return	3.60	6.00/6.30

Mortality Assumptions

The assumed mortality rates are based on Scheme specific base tables and assume a long term annual improvement rate of 1.25% per annum for one scheme and 1.5% for males, 1.25% for females per annum for the other scheme. The assumed life expectancies using these tables are:

- > Average across schemes of 22.1 years for a male currently aged 65 and 24.3/24.8 years at age 65 for a male currently aged 45
- > Average across schemes of 23.8/23.6 years for a female currently aged 65 and 26.3/26.2 years at age 65 for a female currently aged 45

Treatment under Financial Reporting Standard 17 – All Defined Benefit Schemes

	Main Pension Fund £000	PPW Scheme £000	Social Care Fund £000	CSC Fund £000	LGP Schemes £000	2014 Total £000	2013 Total £000
Major Categories of Scheme Assets:							
LGPS Incorporated	-	-	-	-	-	-	11,972
Equities	43,305	2,959	12,514	5,930	9,377	74,085	71,169
Corporate Bonds	60,550	3,034	9,506	7,380	-	80,470	107,223
Bonds	167,161	7,573	21,429	18,232	2,395	216,790	135,995
Property	4,261	145	831	413	931	6,581	5,095
Cash	4,177	227	578	494	592	6,068	13,722
Other	-	-	1,372	-	-	1,372	1,075
Derivatives	(404)	(20)	(45)	(49)	-	(518)	849
Investment Funds	4,034	273	1,002	552	-	5,861	6,120
Structured Debt	-	-	1,016	-	-	1,016	731
Asset-backed Securities	11,194	564	1,253	1,368	-	14,379	13,197
Insurance Contracts	-	-	393	-	-	393	415
Total Value of Assets	294,278	14,755	49,849	34,320	13,295	406,497	367,563

The assumed returns on each class of asset are disclosed on the table on page 56 and 57

	Main Pension Fund £000	PPW Scheme £000	Social Care Fund £000	CSC Fund £000	LGP Schemes £000	2014 Total £000	2013 Total £000
Changes in the Present Value of the Defined Benefit Obligation							
Opening Defined Benefit Obligation	239,372	11,831	49,071	27,346	16,100	343,720	337,639
LGPS Incorporated	-	-	-	-	-	-	16,100
Current Service Cost	-	-	-	-	419	419	8,232
Interest Cost	10,289	512	2,118	1,186	747	14,852	13,750
Contributions by Scheme Members	-	-	-	-	108	108	1,394
Actuarial Losses/(Gains)	25,078	1,418	4,666	3,322	1,442	35,926	(6,221)
Past Service Cost	1,488	-	-	-	-	1,488	1,877
(Gains)/Losses on Curtailments	-	-	-	-	220	220	(14,868)
Benefits Paid	(11,051)	(412)	(1,889)	(790)	(434)	(14,576)	(14,183)
Closing Defined Benefit Obligation	265,176	13,349	53,966	31,064	18,602	382,157	343,720

	Main Pension Fund £000	PPW Scheme £000	Social Care Fund £000	CSC Fund £000	LGP Schemes £000	2014 Total £000	2013 Total £000
Changes in the Fair Value of the Scheme Assets							
Opening Fair Value of Scheme Assets	265,702	13,055	45,803	31,031	11,972	367,563	324,401
LGPS Incorporated	-	-	-	-	-	-	11,972
Expected Return on Assets	10,008	512	1,904	1,193	749	14,366	15,068
Contributions by Scheme Members	-	-	-	-	108	108	1,394
Contributions by Employer	4,246	503	917	280	796	6,742	12,906
Actuarial Gain	25,373	1,097	3,114	2,606	104	32,294	16,005
Benefits Paid	(11,051)	(412)	(1,889)	(790)	(434)	(14,576)	(14,183)
Closing Fair Value of Scheme Assets	294,278	14,755	49,849	34,320	13,295	406,497	367,563
Loss from Irrecoverable Surplus	(29,102)	(1,406)	-	(3,256)	-	(33,764)	(31,239)
Closing Deficit in Schemes	-	-	(4,117)	-	(5,307)	(9,424)	(7,396)
Of which LGPS Incorporated							4,128
							(3,268)

	2014 £000	2013 £000
Analysis of Amounts Disclosed in the Statement of Financial Activities are as follows		
Current Service Cost	(419)	(8,232)
Cost of Discretionary Past Service Benefit Improvements	(1,488)	(1,877)
Cost Offset Against Irrecoverable Surplus	1,488	-
Settlements and Curtailments	(220)	14,868
Surplus not Recognised Charged to Statement of Financial Activities	-	(31,239)
Resources Expended	(639)	(26,480)
Expected Return on Scheme Assets	14,366	15,068
Interest on Scheme Liabilities	(14,852)	(13,750)
Net Finance (Charge)/Income	(486)	1,318
Total Defined Benefit Pensions Cost	(1,125)	(25,162)
Actuarial Gain on Scheme Assets	32,294	16,005
Actuarial (Loss)/Gain on Obligation	(35,926)	6,221
(Loss) from Irrecoverable Surplus	(4,013)	-
Actuarial (Loss)/Gain Recognised in Statement of Financial Activities	(7,645)	22,226
Cumulative Actuarial Gains Recognised in Statement of Financial Activities	15,138	22,783

	2014 £000	2013 £000	2012 £000	2011 £000	2010 £000
History of Experience Gain and Loss					
Fair Value of Plan Assets	406,497	355,591	324,401	296,463	287,617
Present Value of Defined Benefit Obligation	(382,157)	(327,620)	(337,639)	(301,232)	(284,838)
Surplus/(Deficit)	24,340	27,971	(13,238)	(4,769)	2,779

From 2014 this includes the Local Government Pension Scheme share of deficit.

Experience Adjustment on Scheme Assets

Amount	32,294	16,005	15,150	(6,706)	18,718
Percentage of Scheme Assets	7.9%	4.5%	4.7%	(2.3%)	6.5%

Experience Adjustment on Scheme Liabilities

Amount	115	14,623	11,707	1,507	(223)
Percentage of Present Value of Scheme Liabilities	0.3%	4.5%	3.5%	0.5%	(0.1%)

The employer expects to contribute £4,320,000 in deficit repair payments to its defined benefit plans in the year to 31 December 2015 together with £341,000 to the Local Government Pension Schemes.

5. Voluntary Income

	Group		Charity	
	2014 £000	2013 £000	2014 £000	2013 £000
Assessed Congregational Contributions, including Stipend				
Endowment Income of £3,258,000 (2013: £3,208,000)	47,979	48,589	47,979	48,589
Donations, Grants, Trusts	2,749	3,341	2,389	3,271
Legacies	1,237	3,035	1,456	3,035
Donations from The Church of Scotland Trust	219	223	219	223
	52,184	55,188	52,043	55,118

6. Activities for Generating Funds

	Group		Charity	
	2014 £000	2013 £000	2014 £000	2013 £000
Rental Income	149	135	149	135
Israeli Trading Subsidiaries and Property Leases	4,465	5,288	63	68
	4,614	5,423	212	203

7. Investment Income

	Group		Charity	
	2014 £000	2013 £000	2014 £000	2013 £000
Quoted Investments - Dividends	4,294	4,422	4,294	4,422
Deposit and Bank Account Interest	24	101	24	101
Defined Benefit Pension Scheme	(486)	1,318	(486)	1,318
	3,832	5,841	3,832	5,841

8. Incoming Resources from Charitable Activities

	Group		Charity	
	2014 £000	2013 £000	2014 £000	2013 £000
Social Service Provision	43,352	45,381	42,076	44,169
Rental of Accommodation	839	819	839	819
Publications and Royalties	719	719	719	719
Income from Events	247	244	247	244
Guild Memberships and Other Fees	192	213	192	213
Reimbursement of Legal, Accounting and Other Support by Wider Network of Church organisations	1,088	1,105	1,088	1,105
Other	274	313	274	313
	46,711	48,794	45,435	47,582

9. Other Incoming Resources

	Group		Charity	
	2014 £000	2013 £000	2014 £000	2013 £000
Net Assets of Subsidiary on Consolidation	-	606	-	-
Gain on Disposal of Fixed Assets	2,293	3,189	2,317	3,189
	2,293	3,795	2,317	3,189

10. Costs of Generating Funds

	Group		Charity	
	2014 £000	2013 £000	2014 £000	2013 £000
Fundraising Activities - Including Subsidiaries in Israel	4,034	5,522	-	-
Costs of Generating Voluntary Income	454	453	454	453
	4,488	5,975	454	453

II. Charitable Activities

Group and Charity					
	Direct Costs £000	Grants £000	Support Costs £000	Total 2014 £000	Total 2013 £000
Social Care Council	42,534	10	4,202	46,746	48,988
Ministries Council	40,437	2,907	2,607	45,951	47,608
World Mission Council	2,134	1,078	193	3,405	3,201
Mission and Discipleship Council	2,057	76	128	2,261	2,268
Support and Services Departments	4,523	26	274	4,823	4,778
Church and Society Council	445	15	28	488	514
Other Funds	2,124	678	169	2,971	3,448
Charity Total	94,254	4,790	7,601	106,645	110,805
World Mission - Tabeetha School	1,345	-	-	1,345	1,297
Group Total	95,599	4,790	7,601	107,990	112,102

Group and Charity		
	2014 £000	2013 £000
Grants		
Grants to Individuals:		
Bursaries and Educational Purposes	395	185
Cases of Hardship	77	110
Project Work of the Charity	26	22
	498	317
Grants to Organisations for the Advancement of Religion:		
Through Theological Education and Partner Churches	992	844
Through Community Projects including Go For It	2,039	1,578
By Payments to Support Individual Congregations	921	695
For the Relief of Poverty	322	339
For Heritage and the Environment	18	14
	4,292	3,470
Total Grants	4,790	3,787

Overseas grants are made to Partner Churches. Grants to individuals are to those resident in Scotland.

12. Support Costs

	Group and Charity	
	2014 £000	2013 £000
Finance, Payroll, Information Technology & Estates	2,595	2,781
Human Resources and Training	1,204	1,369
Central Premises	1,034	1,209
Regional Offices & Senior Operational Management	1,426	1,237
Legal	280	306
Safeguarding of Children and Vulnerable Adults	388	394
Media Relations and Website	674	648
	7,601	7,944

Support costs are apportioned to charitable activities and individual Councils on the basis of direct expenditure.

13. Governance Costs

	Group and Charity	
	2014 £000	2013 £000
General Assembly	428	436
Moderator's Support and Travel	132	120
Special Commissions and Commission of Assembly	3	30
Department of the General Assembly	345	346
Meeting Expenses – Council of Assembly	26	25
Panel on Review and Reform	40	47
External Audit Fees	58	53
Internal Audit Fees	41	28
Annual Financial Statements Preparation, including Actuary's FRS 17 Fees	32	26
Social Care Governance	67	65
	1,172	1,176

The cost disclosed above for Special Commissions and Commission of Assembly relates to direct expenses.

Other costs, including the cost of staff servicing Commissions are included in support costs.

Fees payable to external auditor for non audit services, pensions consultancy were £236,000 (2013: £565,000).

The fee for external audit of the Israeli subsidiaries was £22,000 (2013: £22,000)

14. Other Resources Expended

	Group and Charity	
	2014 £000	2013 £000
Defined Benefit Pension - Current Cost (Note 4)	419	8,232
Defined Benefit Pension - Past Service Cost (Note 4)	1,488	1,877
Settlement and Curtailments (Note 4)	220	(14,868)
Surplus not Recognised on Defined Benefit Scheme	-	31,239
Cost of Past Service Offset Against Surplus	(1,488)	-
Incorporation of Opening Deficits on Local Government Pension Schemes	4,128	-
Defined Benefit Pension - Contributions (Note 4)	(6,742)	(12,906)
	(1,975)	13,574

15. Trustees Remuneration and Expenses

Members are not remunerated for their services on the Council of Assembly. 9 of the 21 voting members (2013: 10 of 20) are parish ministers appointed by individual congregations, inducted by presbyteries, and remunerated for their work with congregations in accordance with the National Stipend Scale. Expenses of £5,000

(2013: £5,000) were reimbursed to Trustees in respect of travel to Council of Assembly meetings and overnight accommodation where required. Additionally, £8,000 (2013 : £7,000) of expenses were reimbursed to Trustees for attending meetings of, or on behalf of, other councils and committees.

16. Tangible Fixed Assets

	Heritable & Other Properties £000	Motor Vehicles £000	Equipment & Furniture £000	2014 Total £000
Group Cost				
At 1 January 2014	92,302	420	4,450	97,172
Additions	2,419	32	350	2,801
Transfers	(256)	-	256	-
Disposals	(2,686)	(63)	(30)	(2,779)
At 31 December 2014	91,779	389	5,026	97,194
Accumulated Depreciation				
At 1 January 2014	38,788	337	2,881	42,006
Foreign Currency Exchange Adjustment	481	-	47	528
Disposals	(1,615)	(57)	(30)	(1,702)
Charge for Year	2,036	11	412	2,459
At 31 December 2014	39,690	291	3,310	43,291
Net Book Value				
At 31 December 2014	52,089	98	1,716	53,903
At 31 December 2013	53,514	83	1,569	55,166
Charity Cost				
At 1 January 2014	78,730	412	1,905	81,047
Additions	2,327	32	292	2,651
Transfers	(256)	-	256	-
Disposals	(2,648)	(63)	(30)	(2,741)
At 31 December 2014	78,153	381	2,423	80,957
Accumulated Depreciation				
At 1 January 2014	34,172	335	1,196	35,703
Disposals	(1,601)	(57)	(30)	(1,688)
Charge for Year	1,575	10	222	1,807
At 31 December 2014	34,146	288	1,388	35,822
Net Book Value				
At 31 December 2014	44,007	93	1,035	45,135
At 31 December 2013	44,558	77	709	45,344

17. Investments

	Group		Charity	
	2014 £000	2013 £000	2014 £000	2013 £000
Church of Scotland Investors Trust:				
Growth Fund - Investments Listed on Recognised Stock Exchanges	91,261	88,553	91,261	88,553
Income Fund - Investments Listed on Recognised Stock Exchanges	16,647	14,787	16,647	14,787
Deposit Fund - Bank Deposit Accounts	11	211	11	211
Investors Trust Total	107,919	103,551	107,919	103,551
Investment in Subsidiary Company	-	-	508	-
Market Value	107,919	103,551	108,427	103,551
Historic Cost	59,032	56,612	59,540	56,612

The Trustees believe that the carrying value of the net assets is supported by their underlying assets. The Growth Fund and Income Fund of the Investors Trust are unitised funds and these holdings of the Unincorporated Councils cannot therefore be analysed across asset classes. A description of the three investment funds operated by the Investors Trust is given in the Trustees Report.

18. Movements in Investments

	Group		Charity	
	2014 £000	2013 £000	2014 £000	2013 £000
Market Value at 1 January	103,551	94,346	103,551	94,346
Disposals at Opening Market Value	(3,738)	(6,360)	(3,738)	(6,360)
Acquisitions at Cost	3,698	2,822	4,206	2,822
Net Gains on Revaluation at 31 December	4,408	12,743	4,408	12,743
Market Value at 31 December	107,919	103,551	108,427	103,551

Net Gains on Disposal of Investments

Sale Proceeds	3,781	7,045	3,781	7,045
Market Value at 1 January	(3,738)	(6,360)	(3,738)	(6,360)
Net Realised Gains in Year	43	685	43	685

19. Unrealised (Losses)/Gains on Foreign Currency Balances

	Group		Charity	
	2014 £000	2013 £000	2014 £000	2013 £000
(Losses)/Gains on Net Assets of Subsidiary Companies on Consolidation	(1,417)	572	-	-
Gains/(Losses) on Bank Deposits held Overseas	467	(114)	467	(114)
	(950)	458	467	(114)

In accordance with Statement of Standard Accounting Practice 20, Foreign Currency Translation, net assets of the Israeli Trading subsidiaries are translated into sterling using the rate of exchange ruling at the balance sheet date. Exchange differences will arise as a result of the exchange rate differing from that ruling at the previous balance sheet date. The financial results are shown in Note 33.

Also in accordance with Statement of Standard Accounting Practice 20, the World Mission Council's bank accounts in Israel are translated into sterling using the rate of exchange ruling at the balance sheet date, resulting in an unrealised gain of £467,000 in 2014 (2013: loss £114,000).

20. Programme Related Investments - Long Term Loans

	Group and Charity	
	2014 £000	2013 £000
Housing Loans (Heritably Secured)	6,482	6,257
Congregation - World Mission Council	-	4
	6,482	6,261

The Housing Loans are repayable when the properties involved are sold, and attract interest at rates between 1.25% and 4%.

21. Programme Related Investments - Short Term Loans

	Group		Charity	
	2014 £000	2013 £000	2014 £000	2013 £000
Car Loans	199	227	199	227
Loan to Subsidiary Company	-	-	120	126
Other Loans	167	173	167	173
	366	400	486	526

Car Loans are provided to ministers and overseas missionaries at a rate of 6%. Other loans are provided to assist ministers. There were bridging loans of £148,000 owed to Housing and Loan at the balance sheet date. (2013: £155,000). Bridging Loans are charged at a variable rate, currently 3.25% (2013: 4%)

22. Debtors

	Group		Charity	
	2014 £000	2013 £000	2014 £000	2013 £000
Trade Debtors	3,033	3,341	2,565	2,721
Amounts Owed by Congregations	1,254	1,227	1,254	1,227
Amounts Owed by Group Undertaking	-	-	82	622
Amounts Owed by Church of Scotland Trust	7	-	7	-
Sundry Debtors	215	290	115	176
Prepayments	667	622	662	615
Accrued Income	124	54	105	30
	5,300	5,534	4,790	5,391

Amounts owed by congregations were in respect of congregational contributions, ministers' travel, locums and associate ministers, levied under Regulation 129.

23. Short Term Deposits

	Group		Charity	
	2014 £000	2013 £000	2014 £000	2013 £000
Deposit Fund with Church of Scotland Investors Trust	11,055	13,619	11,055	13,619
US Dollar Account	8,048	7,581	8,048	7,581
Bank Call & Deposit Accounts	5,515	5,493	5,433	5,405
	24,618	26,693	24,536	26,605

The US dollar account in the name of the World Mission Council, is used as security for a bank overdraft of equal amount, in the name of the Israeli Trading Subsidiary, St Andrew's Galilee Limited.

24. Creditors: Amounts Falling Due within One Year

	Group		Charity	
	2014 £000	2013 £000	2014 £000	2013 £000
Bank Overdraft	8,607	8,099	-	-
Trade Creditors	793	1,168	527	840
Amounts Owed to Church of Scotland Trust	-	1	-	1
Amounts Owed to Church of Scotland Investors Trust	2,252	988	2,252	988
Amounts Owed to Church of Scotland General Trustees	7	56	7	56
Amounts Owed to Church of Scotland Pension Trustees	217	845	217	845
Other creditors Including Tax and Social Security	1,894	2,082	1,735	1,887
Sundry Creditors	907	1,125	1,282	1,077
Accruals	4,057	3,957	3,878	3,749
Deferred Income	1,164	1,127	940	949
	19,898	19,448	10,838	10,392

The bank overdraft is secured against a US dollar account in the name of the World Mission Council.

25. Creditors: Amounts Falling Due after One Year

	Group		Charity	
	2014 £000	2013 £000	2014 £000	2013 £000
Grants	353	596	353	596
Loan from Nan Stevenson Trust to Housing & Loan Fund	5	5	5	5
Energy Trust Loan	117	-	117	-
	475	601	475	601

26. Provision for Liabilities and Charges

	Group		Charity	
	2014 £000	2013 £000	2014 £000	2013 £000
Onerous Lease	603	663	603	663
Other	243	233	-	-
	846	896	603	663
Onerous Lease:				
Balance brought Forward	663	719	663	719
Provision released to Statement of Financial Activities	(60)	(56)	(60)	(56)
Balance carried Forward	603	663	603	663

Provision has been made for a number of properties operated by CrossReach in respect of future lease commitments. Other provisions relate to provisions in the Israeli Trading subsidiaries.

27. Analysis of Net Assets among Funds - Group

	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total 2014 £000	Total 2013 £000
Tangible Fixed Assets	8,768	45,135	-	53,903	55,166
Investments	-	82,729	25,190	107,919	103,551
Long Term Loans	-	6,482	-	6,482	6,261
Total Fixed Assets	8,768	134,346	25,190	168,304	164,978
Net Current (Liabilities)/Assets	(8,193)	20,679	-	12,486	16,017
Creditors: Amounts falling Due after more than One Year	(243)	(1,078)	-	(1,321)	(1,497)
Pension Scheme Liability	-	(9,424)	-	(9,424)	(3,268)
Net Assets	332	144,523	25,190	170,045	176,230

28. Analysis of Net Assets among Funds - Charity

	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total 2014 £000	Total 2013 £000
Tangible Fixed Assets	-	45,135	-	45,135	45,344
Investments	-	83,237	25,190	108,427	103,551
Long Term Loans	-	6,482	-	6,482	6,261
Total Fixed Assets	-	134,854	25,190	160,044	155,156
Net Current Assets	225	20,171	-	20,396	24,498
Creditors: Amounts falling Due after more than One Year	-	(1,078)	-	(1,078)	(1,264)
Pension Scheme Liability	-	(9,424)	-	(9,424)	(3,268)
Net Assets	225	144,523	25,190	169,938	175,122

29. Unrestricted Funds - Group

	1 Jan 2014 £000	Incoming Resources £000	Outgoing Resources £000	Fund Transfers £000	Investment Losses £000	31 Dec 2014 £000
Ministries Council	4	33	(33)	-	-	4
World Mission Council	1,108	5,795	(5,379)	-	(1,417)	107
Mission & Discipleship Council	-	1,013	(1,013)	-	-	-
Support & Services	-	1,088	(1,088)	-	-	-
Other Funds	221	721	-	(721)	-	221
	1,333	8,650	(7,513)	(721)	(1,417)	332

Other than unrestricted legacies and donations received, all funds are treated as restricted for the work of individual Councils and Other Funds. Investment gains or losses include gains on balances carried in foreign currency. In 2014 there was a foreign currency translation loss of £1,417,000 upon consolidation of the net assets of the Israeli Subsidiaries as disclosed in note 19 (2013: gain £572,000). £719,000 of unrestricted donations and legacies were allocated to the Mission and Renewal Fund and subsequently transferred to meet overspends on restricted funds by councils and committees on their charitable activities (2013: £1,728,000).

30. Unrestricted Funds - Charity

	1 Jan 2014 £000	Incoming Resources £000	Outgoing Resources £000	Fund Transfers £000	Investment Gains £000	31 Dec 2014 £000
Ministries Council	4	33	(33)	-	-	4
Mission & Discipleship Council	-	1,013	(1,013)	-	-	-
Support & Services	-	1,088	(1,088)	-	-	-
Other Funds	221	721	-	(721)	-	221
	225	2,855	(2,134)	(721)	-	225

31. Restricted Funds - Group and Charity

	Balance 1 Jan 2014 £000	Incoming Resources £000	Outgoing Resources £000	Fund Transfers £000	Investment Gains £000	Actuarial Losses £000	Balance 31 Dec 2014 £000
Social Care Council	22,867	44,396	(46,910)	670	329	-	21,352
Ministries Council	42,936	42,951	(45,952)	1,392	1,443	-	42,770
World Mission Council	34,120	2,079	(3,405)	1,450	1,446	-	35,690
Mission & Discipleship Council	8,797	558	(1,249)	834	255	-	9,195
Support & Services	434	123	(5,163)	5,046	3	-	443
Church & Society Council	661	43	(488)	439	25	-	680
Other Funds	44,295	10,319	(2,970)	(8,257)	430	-	43,817
	154,110	100,469	(106,137)	1,574	3,931	-	153,947
Pensions Reserve	(3,268)	(486)	1,975	-	-	(7,645)	(9,424)
	150,842	99,983	(104,162)	1,574	3,931	(7,645)	144,523

At the end of the year Four funds made up 92% of the Other Funds, namely the Housing and Loan Fund £33,978,000, the Mission and Renewal Fund £3,748,000, New College £1,782,000 and the Guild, £658,000. Transfers from Other Funds includes £7,776,000 transferred to Councils from the Mission and Renewal Fund which receives incoming resources from Ministry and Mission contributions from congregations. In addition to this, £1,592,000 was transferred from the Mission and Renewal Fund during the year to support the work of Councils and the Support and Services Departments. £1,500,000 was transferred by the Housing and Loan Fund to the Ministries Council who used this to make an additional contribution to the Church of Scotland Pension Trustees towards the provision of a discretionary increase in pensions for pensioners' pre 1997 service. Transfers were also made from Third Party trusts to Councils in respect of their charitable activities, with restrictions as appropriate.

Investment losses include losses on balances carried in foreign currency. In 2014 there was a gain of £467,000 (2013: loss £114,000) on revaluation of the World Mission Council's bank accounts in Israel as disclosed in note 19. There were realised gains on investments of £43,000 (2013: gains £685,000) and unrealised gains on investments of £3,421,000 (2013: gains £9,332,000).

32. Endowment Funds - Group and Charity

	Balance 1 Jan 2014 £000	Incoming Resources £000	Outgoing Resources £000	Fund Transfers £000	Investment Gains £000	Actuarial Losses £000	Balance 31 Dec 2014 £000
Social Care Council	317	-	-	-	5	-	322
Ministries Council	3,550	145	-	(145)	144	-	3,694
World Mission Council	5,083	226	-	(112)	215	-	5,412
Mission & Discipleship Council	580	24	-	(24)	22	-	602
Support & Services	110	4	-	(4)	4	-	114
Church & Society Council	54	2	-	(2)	2	-	56
Other Funds	14,361	600	-	(566)	595	-	14,990
	24,055	1,001	-	(853)	987	-	25,190

Total Endowment Funds at 31 December 2014 of £25,190,000 are made up of £24,239,000 Permanent Endowment and £951,000 Expendable Endowment (2013: Permanent Endowment £23,119,000 and Expendable Endowment £936,000). Transfers of investment income were made to Councils and Committees for expending on their charitable activities. Income from endowment funds is for restricted purposes.

33. Subsidiary Undertakings

The Church of Scotland has the following subsidiary undertakings:

St. Andrew's Galilee Limited

The company was incorporated in Israel in 1993 to manage the Tiberias Guesthouse, later redeveloped into a 69 bedroom facility "The Scots Hotel, St Andrew's Galilee". The share capital of 2,900,102 shares each of one New Israeli Shekel (approximately 16p) is held by The Church of Scotland Trust on behalf of the World Mission Council.

St Andrew's Scottish Centre Limited

The company was incorporated in Israel in 1993 to manage the 19 bedroom St Andrew's Scottish Guesthouse in Jerusalem. The share capital of 22,900 shares each of one New Israeli Shekel (approximately 16p) is held by the Church of Scotland Trust on behalf of the World Mission Council.

Both facilities provide accommodation to those wishing to visit Israel and Palestine and witness the work of the Church of Scotland, and are also open to all guests. The Financial Year end of both Companies is 31 December and both subsidiaries are consolidated in the Financial Statements.

Circle of Care Trading Limited

The results of Circle of Care Trading Limited have not been consolidated as they are not considered to be material. The Company was incorporated in Scotland in March 2004 and commenced trading on 1 July 2004. It sells mainly calendars, cards, address books and promotional material. All profits are Gift Aided to the Social Care Council. The Financial Year end of the Company is 31 March.

Tabeeetha School

The school, in Jaffa Israel, has operated under the supervision of the World Mission Council since 1912. Title to the school property is held by the Church of Scotland Trust on behalf of the World Mission Council. The school was registered as an Amutta, an Israeli not for profit association, on November 2008 and commenced operations under the new arrangement from 1 January 2009.

Their financial results were as follows:

	St Andrew's Galilee Limited		St Andrew's Scottish Centre Limited		Circle of Care Trading Limited		Tabeeetha School	
	2014 £000	2013 £000	2014 £000	2013 £000	2014 £000	2013 £000	2014 £000	2013 £000
Income	3,842	4,584	536	636	85	85	1,417	1,212
Expenditure	3,333	4,403	701	662	94	94	1,345	1,297
Net Profit/(Loss)	509	181	(165)	(26)	(9)	(9)	72	(85)
Unrealised (Losses)/Gains on Foreign Currency	(1,369)	135	(26)	(20)	-	-	(22)	-
	(860)	316	(191)	(46)	(9)	(9)	50	(85)
Total Net (Liabilities)/Assets	(795)	65	261	452	(11)	(2)	641	591

34. Commitments

	Group and Charity	
	2014 £000	2013 £000

Capital Expenditure

Contracts placed for future capital expenditure not provided for in the financial statements:

Social Care Council	37	1,366
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Capital Expenditure authorised by Councils and Other Funds, not contracted for at 31 December 2013:

Social Care Council	445	110
Ministries Council - New Charge Development and Priority Areas	200	302
	645	412

Operating Leases

The following are the annual values of rentals under operating lease agreements to which the Church is committed annually:

	Group				Charity			
	2014		2013		2014		2013	
	Property £000	Other £000	Total £000	Total £000	Property £000	Other £000	Total £000	Total £000
Expiring Within:								
1 year	663	84	747	771	610	59	669	734
2-5 years	107	339	446	352	107	307	414	335
after 5 years	-	2	2	17	-	2	2	17
	770	425	1,195	1,140	717	368	1,085	1,086

Reference and Administrative Details

Council of Assembly

Members of the Council of Assembly Voting Members and Charity Trustees

- > **Rev Dr Grant Barclay**,
Convener
- > **Mr Iain Johnston**, Vice-Convener
- > **Dr Sally Bonnar**
- > **Mr Stephen Brown**
(until May 2014)
- > **Rev Donald Campbell**
- > **Mr Donald Carmichael**
(until May 2014)
- > **Mr John Corrigan**
(from May 2014)
- > **Miss Catherine Coull**
- > **Rev Iain Cunningham**
(from May 2014)
- > **Rev Neil Dougall**
- > **Rev Sally Foster-Fulton**
- > **Miss Elizabeth Fox**
- > **Mrs Isobel Hunter**
- > **Mr Andrew Kimmitt**
- > **Ms Anne Lamont**
- > **Very Rev Dr Andrew McLellan**
(until May 2014)
- > **Mr Murdo Macmillan**
- > **Rev Fiona Mathieson**
- > **Rev Alexander Millar**
- > **Rev Colin Sinclair**
- > **Mr David Watt**
(from May 2014)

Non-Voting Members

- > **Mrs Pauline Weibye**
Secretary to the Council of Assembly
- > **Mr Iain Grimmond**
General Treasurer
- > **Mrs Janette Wilson**
Solicitor of the Church
- > **Rt Rev John Chalmers**
(until May 2014)
Principal Clerk of the
General Assembly
- > **Very Rev David Arnott**
(from May 2014)
Co-ordinator,
Principal Clerk's Office
- > **Very Rev Albert Bogle**
(until May 2014)
Immediate Past Moderator
of the General Assembly
- > **Very Rev Dr Lorna Hood**
(from May 2014)
Immediate Past Moderator
of the General Assembly
- > **Rev Ewan Aitken**
(until April 2014)
Secretary,
Church and Society Council
- > **Rev Dr Graham Blount**
(from May 2014 - February 2015)
Interim Secretary,
Church and Society Council

- > **Rev Dr Martin Johnstone**
(from February 2015)
Secretary,
Church and Society Council
- > **Rev Dr Martin Scott**
Secretary, Ministries Council
- > **Rev Dr Alister Bull**
Secretary,
Mission and Discipleship Council
- > **Mr Peter Bailey**
Secretary,
Social Care Council
- > **Rev Ian Alexander**
Secretary,
World Mission Council

Principal Office

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Edinburgh
EH2 4YN



Professional Advisors

Auditors

PricewaterhouseCoopers LLP **(Group Auditors)**

Chartered Accountants
and Statutory Auditor
141 Bothwell Street
Glasgow
G2 7EQ

PricewaterhouseCoopers **(Auditors of Israeli Subsidiaries)**

Shufat Street 5
East Jerusalem

Bankers

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The Bank of Scotland
The Mound
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Bank Hapoalim
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