

The Church of Scotland General Trustees
Annual Report & Financial Statements
for the year ended 31 December 2015

Scottish Charity Number SC014574

www.churchofscotland.org.uk



The Church of Scotland
General Trustees

THE CHURCH OF SCOTLAND GENERAL TRUSTEES

**ANNUAL REPORT
AND FINANCIAL STATEMENTS
for the year ended 31 December 2015**

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THE CHURCH OF SCOTLAND GENERAL TRUSTEES

List of General Trustees

Mr Iain C Douglas, RD BArch FRIAS Chairman	Mr Roger G G Dodd, DipBldgCons (RICS) FRICS Vice-Chairman
Mr Robert W Balfour, DL BSc FRICS	Mr Arthur S McDonald FRICS
Mr Walter H Barbour, BLE FRICS	Rev Neil I M MacGregor BD
Professor Stewart Brymer, OBE LLB (Hons) WS NP	Professor William McInnes, MSc PhD CA FRSA
Mr R Gavin Burnett, BCOm CA FCMA (retired 22/5/15)	Mr David Menzies (CEng MI StructE) (from 22/5/15)
Very Rev Dr John B Cairns, LTh LLB DD LLD	Mr W Iain Munro BArch FRIAS
Rev David W Clark, MA BD	Mr Neil A Price BSc CA Cert PFS FMAAT
Mr William H H Cruickshank (retired 22/5/15)	Mr Ian B Smith, DA(Edin) ARIAS
Mr Michael J P Cunliffe BSc (Hons) MSc MCIWEM	Mr Robin Stimpson WS
Rev James S H Cutler, BD CEng MIStructE	Mr Gordon A Stirling, FRICS
Mr William A Hall	Mr Donald W Thomas, CIPFA
Very Rev Dr E Lorna Hood, MA BD DD	Mr Ian T Townsend FRICS
Rev Dr James A P Jack, BSc BArch BD DMin RIBA ARIAS	Mr D Stewart Toy, BSc BArch RIBA
Mr Alan F K Kennedy, BSc FFA	Mr Roger S Trueman, BArch (Hons) Dip TP ARIAS (resigned 23/2/16)
Mr Douglas Kerr BSc Agriculture (Hons)	Dr John M Trushell, BA(Hons) MBA MLitt LLM MSc PhD FRICS FCIArb FCIOb
Mr Peter F King, LLB MCIBS	Mr Raymond K Young, CBE BArch (Hons) FRIAS
Mr William M Lawrie	Rev Ronald F Yule
Dr J Kenneth Macaldowie, LLD CA	

Advisory Members (as defined on page 14)

Mr A Graham Biggerstaff RD MRICS MREHIS	Mr Michael M Norval FRICS
Miss Laura J Dunlop, QC LLB (Hons)	Mr Alexander B Pringle CA
Prof John R Hume, OBE BSc ARCST Hon FRIAS Hon FRSGS	Mr John E Rhind, BSc (Hons) FRICS
Mr Michael W Hunter, FRICS	Mr James H S Stewart, LLB
Mr Chris Johnstone FRIAS RIBA	Rev David Taverner MCIBS ACIS BD
Rev Sheila M Kirk BA LLB BD	Mrs Rosalind J Taylor, RIBA ARIAS MaPS
Mr Hamish McBean (from 23/2/16)	Mr Roger S Trueman, BArch (Hons) Dip TP ARIAS (from 23/2/16)
Rev Janet S Mathieson MA BD	Rev Jeanette Whitecross BD

Corresponding Members (as defined on page 14)

Mrs Mary Cartwright

THE CHURCH OF SCOTLAND GENERAL TRUSTEES

THE REPORT OF THE TRUSTEES for the year ended 31 December 2015

A. OBJECTIVES AND ACTIVITIES

Article III of the Articles Declaratory of the Constitution of the Church of Scotland in Matters Spiritual says: "As a national Church representative of the Christian faith of the Scottish people it acknowledges its distinctive call and duty to bring the ordinances of religion to the people in every Parish of Scotland through a territorial ministry".

Objectives

Interpreting this declaration in modern terms as a duty and a desire for a Christian presence in every community, the General Trustees aim to give practical effect to this by

- supporting parish ministry in its various forms;
- assisting congregations in the provision of suitable buildings for each parish.

Their trust purpose is to administer stipend endowments and any heritable assets such as land, churches, halls and manses and any moveable assets such as investments derived therefrom for such ends, uses and purposes as the General Assembly (or any body to which its powers are delegated) may direct.

This is reflected in the terms of the General Trustees' Mission Statement:

The General Trustees, working in collaboration with Presbyteries and other Church of Scotland agencies, use the land, buildings and investments entrusted to them and offer support and encouragement to congregations to assist them in developing flexible, robust and sustainable resources capable of supporting local mission and worship.

Public Benefit

The Church of Scotland General Trustees is a Charity registered in Scotland. It provides public benefit through the achievement of the two objectives and the effective undertaking of the General Trustees' activities in support of the Church of Scotland's national network of around 1,400 parishes, over 4,000 churches, halls and manses and about 1,020 ministers and other parish workers. This network offers spiritual, pastoral and practical care for all, whether they are Christian or not, who wish to engage with matters of faith and community care and action in a Christian context.

Principal Activities

The General Trustees undertake a number of activities in the carrying out of their trust purpose and the two charitable objectives.

Supporting Parish Ministry

a. Administering the Consolidated Stipend Fund

This Fund is administered for the benefit of those congregations with holdings in it. The Fund capital is largely derived from the sale of glebe land since 1925 as well as from transfers of surplus capital from the Consolidated Fabric Fund and from the investment of new monies by individual congregations. Revenue generated on the capital is applied to help the congregations meet their parish ministry costs.

THE CHURCH OF SCOTLAND GENERAL TRUSTEES

TRUSTEES' REPORT - CONTINUED for the year ended 31 December 2015

A. OBJECTIVES AND ACTIVITIES (Continued)

Supporting Parish Ministry (Continued)

Upon the sale of glebe land for a significant sum by way of development value, a congregation's capital holding may generate more income than required. On the recommendation of the Presbytery and with the concurrence of the Ministries Council, surplus capital may be transferred to the benefit of that congregation in the Consolidated Fabric Fund or to assist other congregations through the National Stipend Fund.

b. Administering Glebe Funds

Funds arising from the sale of glebe land are transferred to the capital of the Consolidated Stipend Fund once a particular transaction is complete. As with income from the Fund, rental income arising from the letting of glebe land is also applied to help congregations pay for parish ministry costs.

Assisting Congregations in the Provision of Suitable Buildings

a. Administering the Consolidated Fabric Fund

This Fund comprises two distinct elements, the first being capital derived from the sale of redundant properties and from the transfer from time to time of surplus capital from congregations' holdings in the Consolidated Stipend Fund. Subject to various safeguards and approvals, both capital and accrued revenue may be withdrawn to meet a wide range of buildings-related expenditure incurred by congregations on churches, halls and manses and enabling them to pay for repairs and improvements to their buildings.

Assembly Regulations provide for the possibility of monies from the Fund being transferred to the benefit of the congregation in the Consolidated Stipend Fund or to assist other congregations through the Central Fabric Fund. Such transfers are implemented by the General Trustees on the recommendation of the appropriate Presbytery.

The second element of the Fund is the net capitalised value of heritable properties occupied by congregations and which are vested in the General Trustees as legal owners. This information on heritable properties is required to be shown as a result of charity accounting requirements.

b. Administering Individual Funds and Temporary Funds

Individual Funds were derived from the sale of redundant properties and where the main purpose of the proceeds was for Christian mission rather than for the repair or improvement of buildings. Release of accrued revenue and capital is subject to various approvals from congregations and Presbyteries.

Temporary Revenue Funds derived from the sales of redundant properties are normally transferred, together with interest thereon, to the Consolidated Fabric Fund once the transactions are complete.

THE CHURCH OF SCOTLAND GENERAL TRUSTEES

TRUSTEES' REPORT - CONTINUED for the year ended 31 December 2015

A. OBJECTIVES AND ACTIVITIES (Continued)

c. Administering the Central Fabric Fund

The Fund is the main resource which enables the General Trustees to provide financial assistance to congregations for repairing and improving the buildings which they use as local resources for Christian mission. In recent years the General Trustees have made over £5m available in the form of grants and loans each year.

All application forms for financial assistance contain guidelines as to the General Trustees' policy on the provision of loans and grants from the Fund. The following guidelines are applied when assessing the relative merits of applications for financial assistance:

- Priority will be given to applications firstly from congregations in Priority Areas, secondly from those in other areas of identified need and thirdly from congregations embarking on schemes approved by the Ministries Council's *Go For It* Fund which have a buildings aspect.
- Grants will not be awarded to congregations which have holdings in the Consolidated Fabric Fund from which the relevant expenditure could be met.
- Grants will not be awarded to congregations which can finance the repayment of a loan, subject to the proviso that the General Trustees may continue to make grants in this circumstance towards the cost of obtaining professional advice.
- Grants will only be awarded where the congregation has applied the whole or a substantial portion of its fabric reserves or has made significant efforts to raise funds locally or from other external sources.
- Before loans are offered, the General Trustees will scrutinise relevant financial information to ensure that a congregation has the financial ability to repay the capital and interest of any loan which might be offered to it.
- From time to time the General Trustees will make modest grants to external organisations such as the Scottish Redundant Churches Trust where the achievement of such organisations' aims is deemed by the Trustees to support their own objectives including the disposal of redundant Church buildings.

d. Administering the General Fund

The General Fund, which is unrestricted, is used to meet expenses incurred by the General Trustees in the administration of their business, the main item being staff salaries and associated costs. After meeting administration costs, the net incoming resources of this Fund have been applied towards reserves or have been transferred to the Central Fabric Fund to assist in the making of grants and loans to Congregations, and to the Ministries Council of the Church of Scotland, to assist with Parish Staffing costs.

e. The work of the Church of Scotland Insurance Services Limited

The Church of Scotland Insurance Services Limited is a wholly-owned subsidiary of the General Trustees and as such its assets, liabilities and results for the year are consolidated with those of the General Trustees.

THE CHURCH OF SCOTLAND GENERAL TRUSTEES

TRUSTEES' REPORT - CONTINUED for the year ended 31 December 2015

A. OBJECTIVES AND ACTIVITIES (Continued)

e. The work of the Church of Scotland Insurance Services Limited (Continued)

The Company provides through its Church Scheme a first-class comprehensive package-type cover at competitive rates for buildings, liabilities and contents for congregations. The Company undertook an extensive tendering exercise as a result of which a new five-year deal with Aviva as the main insurer became effective on 28 February 2016. The Company and the General Trustees believe that the Scheme provided by the Company serves the best interests of the congregations and the General Trustees.

B. ACHIEVEMENTS AND PERFORMANCE

Bearing in mind their trust purpose, the General Trustees have continued throughout 2015 to support parish ministry and to assist congregations in the provision of suitable buildings by the efficient administration of the Funds under their control.

Investment Performance

The General Trustees invest primarily in the Deposit, Growth and Income Funds of the Church of Scotland Investors Trust. Although they obtain the benefits of professional management, continuous portfolio supervision, spread of investment risk and economies of scale, decisions as to the appropriate investment mix as between the three Funds are the responsibility of the General Trustees in relation to the Consolidated Stipend Fund, the Central Fabric Fund and the General Fund while individual Financial Boards of congregations are responsible for determining the mix of their holdings in the Consolidated Fabric Fund.

The General Trustees reviewed the investment mix of both the Central Fabric Fund and the General Fund and have moved some £14m from deposit into a combination of the Income and Growth Funds, generating an increase in annual income of some £0.5m which will accrue to the benefit of individual congregations.

Since 2003, new capital introduced to the Consolidated Fabric Fund has been placed on deposit pending instructions from congregations. Partly as a result of the General Trustees' reluctance to offer financial advice, very few congregations gave such instructions with the result that very significant sums were being held on deposit, sometimes for many years. Following consultation with the Investors Trust Trustees, an information sheet on the three Funds with guidance as to how to set an appropriate investment strategy is now routinely sent to congregational Treasurers when additional capital from the sale of redundant buildings is credited to the Consolidated Fabric Fund. The General Trustees' Finance Manager has also begun to proactively engage with individual Treasurers whose congregations have large, unused capital deposits. These measures have already resulted in an appreciable increase in the number of instructions being received for investment reallocation after congregations have reviewed their investment strategies.

THE CHURCH OF SCOTLAND GENERAL TRUSTEES

TRUSTEES' REPORT - CONTINUED for the year ended 31 December 2015

B. ACHIEVEMENTS AND PERFORMANCE (Continued)

Making congregational buildings safer spaces

As a result of two serious accidents on church premises in the latter half of 2014, the General Trustees determined that they had to address the poor state of health and safety awareness at a congregational level. Recognising that a “big stick” approach would not work, a group charged with investigating the issue recommended that the General Trustees should appoint a suitably qualified person who would be able to assess the situation throughout the Church at congregational level. The appointee will have the responsibility for developing a range of appropriate resources and to champion a change of culture and mind-set so that attention to making buildings safer spaces for all those whose activities take them in and about churches and halls becomes as automatic as it is for the safeguarding of children and vulnerable adults. The appointment in February 2016 of a Safe Buildings Consultant represents a major investment of time and resources for the General Trustees.

Improving the resources of the General Trustee's Department

Arising out of a concern at the increasing workload of their Secretary and senior staff, the General Trustees set up a Support Group in 2015 to work with the Secretary on identifying various measures to improve the situation. The immediate outcome was the decision in late 2015 to appoint a second Assistant Secretary (Ecclesiastical Buildings) to cope with the increasing amount of buildings-related work coming through the Department, to deliver a better service to congregations and Presbyteries and to enable the General Trustees to develop and undertake new initiatives. The new post-holder is due to take up his appointment in April 2016. Much of the fabric work undertaken by the Depute Secretary will fall to the new Assistant to deal with which in turn allied to a re-organisation of the Department structure will enable the Secretary to share his workload and play a more strategic role in the work of the General Trustees.

The General Trustees are also pleased to report that a member of the Stewardship & Finance Department has been appointed as a Trainee Accountant on a three-year contract with effect from 18 January 2016. In addition to developing the Trainee's professional skills and experience, it will enable the General Trustees' Finance Manager to plan and implement a further phase of the new accounting system and to work more pro-actively with congregational treasurers and finance conveners.

C. FINANCIAL REVIEW

Total Reserves

The financial statements as at 31 December show that the General Trustees have total reserves of £657,044,000. Of this total £482,917,000 is represented by the net book value of tangible fixed assets and £151,281,000 is represented by the total fair value of investments.

THE CHURCH OF SCOTLAND GENERAL TRUSTEES

TRUSTEES' REPORT - CONTINUED for the year ended 31 December 2015

C. FINANCIAL REVIEW (Continued)

Unrestricted Reserves

Of the total reserves of £657,044,000 only £6,974,000 are unrestricted and undesignated, the majority of the reserves being held in restricted funds for the benefit of individual congregations. The General Trustees are of the view that the holding of this level of unrestricted reserves is fully justified given that –

- there is annual expenditure on the General Fund of nearly £800,000 with annual ordinary recurring income of around £380,000, excluding income from the Insurance Company which is solely dependent on its trading results.
- major essential maintenance costs or underinsured damage to buildings which cannot be met by the congregation concerned could become a liability of the General Trustees to be met from this reserve and while such instances are not common when they do arise the sums can be very significant, and
- the General Trustees have contingent liabilities as disclosed in note 29 to the financial statements which, if they arose, could eliminate unrestricted reserves.

Designated Reserves

The consolidated financial statements show reserves in Designated Funds of £6,448,000 at the Balance Sheet date. The Insurance Company operates under the Companies Act and is authorised and regulated by the Financial Conduct Authority. The Directors of the Company are conscious of the Trustees' desire to aid the work of the Church and continue to examine ways to assist in that process.

Restricted Reserves

There are restricted reserves of £640,835,000 at 31 December 2015, comprising £110,293,000 of Stipend Funds and £530,542,000 of Fabric and other Funds which includes £31,362,000 and £451,554,000 respectively of capitalised land and properties.

As explained on page 3, the Consolidated Stipend Fund is held for the benefit of those congregations for whom it is earmarked, and the income is applied against the congregation's ministry costs. Capital is not normally withdrawn but in the circumstances referred to on page 4 can be transferred to the Consolidated Fabric Fund or to the National Stipend Fund held by the Ministries Council. As agreed with the then Board of Ministry (now Ministries Council) and adopted by the General Assembly, the Fund is regarded as a permanent endowment for investment strategy purposes. The Fund is therefore invested for the very long term and aims to produce as high an annual income as is consistent with the need to sustain progressive growth in this income in the future, "progressive growth" being interpreted as at least matching inflation and sustaining that growth resulting in the need to maintain the capital value of the Fund in real terms. Following the approval of the 2001 General Assembly, the Fund has been viewed on a total return basis, and the General Trustees are empowered to pay a proportion of any dividend out of capital.

During 2013, the Trustees obtained independent professional advice on whether the investment strategy was still valid. The conclusion was that, in light of market conditions, the aim of achieving both income and capital growth in real terms was unlikely to be fully sustainable in the medium to

THE CHURCH OF SCOTLAND GENERAL TRUSTEES

TRUSTEES' REPORT - CONTINUED for the year ended 31 December 2015

C. FINANCIAL REVIEW (Continued)

Restricted Reserves (Continued)

long term. The General Trustees brought this situation to the attention of the 2014 Assembly and sought confirmation that the Fund should continue to be held as a permanent endowment. Following the Assembly's instruction that this issue be considered by the Strategic Finance and Resource Allocation Review Group of the Council of Assembly, the Group heard from representatives of the General Trustees. The Group supported the General Trustees' view that, as the wider Church expects parish ministry to be paid for into the long term, the Fund should be regarded as an integral element in achieving this aim. The General Trustees will be reporting to the Assembly in May 2016 to the effect that there should be no change in the current investment strategy and seeking Assembly approval.

Fabric Funds are made up of (1) heritable assets capitalised in the accounts which total £451,554,000, (2) monies held for specific congregations totalling £60,694,000 and (3) the Central Fabric Fund of £18,294,000. In the case of (2) the monies are held for the benefit of approximately 700 congregations and, subject to the relevant approvals by Presbyteries and the General Trustees, both capital and revenue balances may be withdrawn to meet local fabric needs. The timing of these withdrawals is out-with the control of the General Trustees. The capital and accumulated revenue of the Central Fabric Fund is used to award loans and grants to congregations. Grants and loans from this Fund may be applied for by all congregations but all such applications fall to be decided by the General Trustees.

It is the policy of the General Trustees to credit general donations to the capital of the Central Fabric Fund in order to increase the value of the Fund and thereby produce greater income for making grants and servicing interest-free loans in the future. Levies on property sales are credited to Revenue and ring-fenced for grant assistance to the three priority categories of congregations as approved by the 2003 General Assembly.

Capital in the Consolidated Fabric Fund is invested in the Church of Scotland Investors Trust Growth Fund in order to seek to maintain capital value in the long term and in the Income Fund in order to boost the income on which many congregations are dependant for the maintenance of their buildings. The Growth Fund is primarily an equity-based fund while the Income Fund is primarily fixed-interest based. An element is also invested in the Deposit Fund to cater for withdrawals.

Following General Assembly approval in 2003, all congregations with earmarked funds were informed of the foregoing investment strategy and asked to advise the General Trustees if they considered the capital might be better individually invested differently in the Investors Trust.

With effect from July 2003 new capital holdings are initially individually invested in the Deposit Fund of the Investors Trust until the congregation advises the General Trustees as to the appropriate investment strategy. The underlying asset allocation of the Fund is re-balanced if necessary to ensure that the Deposit Fund element has a working balance equivalent to twelve months' withdrawals.

The Investors Trust has an ethical investment policy and does not invest in companies substantially involved in alcohol, tobacco, gambling or armaments.

THE CHURCH OF SCOTLAND GENERAL TRUSTEES

TRUSTEES' REPORT - CONTINUED for the year ended 31 December 2015

C. FINANCIAL REVIEW (Continued)

Review of Financial Activities

The Statement of Financial Activities discloses the income and expenditure for the year to 31 December 2015 and the supporting notes analyse these over the General Trustees' main activities of supporting parish ministry, assisting the provision of suitable buildings and the unrestricted activities of general administration and the Church of Scotland Insurance Services Limited (COSIS), a subsidiary whose assets, liabilities and results are consolidated with those of the General Trustees. The financial statements have been prepared in accordance with the new Charities SORP FRS 102 which came into effect on 1 January 2015. The basis of preparation of the accounts is detailed within the Accounting Policy Note 1 a) on page 25.

The underlying net assets of the Church of Scotland Insurance Services Limited at the Balance Sheet date were £6,448,000 (2014 - £7,278,000). A summary of the Subsidiary Company's results for the year is shown in Note 14.

The overall consolidated total income is £19,170,000 (including 'donated' assets of £6,795,000 – see notes 1 and 4) which is £2,856,000 less than in 2014 mostly arising from lower property sales, with total expenditure being £17,347,000, a £658,000 decrease on the previous year. We received Gift Aid payments of £2,386,000 during the year from the Church of Scotland Insurance Services Limited. This results in a net income for the year of £2,676,000 (including 'donated' assets) from which is deducted the net losses on revaluation of tangible fixed assets of £34,838,000 and a further loss incurred of £12,000 relating to a 'fair value' adjustment of the loans repayable by congregations leaving £32,174,000 to be deducted from the funds brought forward from 2014. The main loss on revaluation of tangible fixed assets arose from the sharp fall in the value of pasture land which resulted in a significant reduction in our land values which fell by £20,787,000 for the year which is a 39.9% decrease. There was also a significant decrease of £14,051,000 in the valuation of our Heritable Properties. Further information on the valuation of assets is provided below. The opening reserves were reduced by £465,000 to incorporate the opening 'fair value' adjustment. Other than in the case of the Stipend Funds, there is no correlation between the movements in income and expenditure. The increased income relates to additional gains on sales of non-vested heritable properties and the related levies derived thereon. The decrease in expenditure arises mainly from a deferred tax credit release and reduced trading expenditure from our subsidiary trading company.

The objective of supporting parish ministry was met by expenditure of £3,446,000 with £3,359,000 of that providing the Ministries Council with 7.9 % of its total ministry costs for the year from Stipend Fund income and glebe rents. Including capital expenditure, £24,772,000 has been spent on fabric purposes to assist the provision of suitable buildings for congregational purposes. That expenditure represents a significant investment in the Church's property assets. Of this sum £1,935,000 is committed by way of fabric grants voted to congregations during the year. Awarding grants in excess of £1,000,000 per annum is only possible if the Central Fabric Fund receives support from other income streams of the General Trustees. The General Fund surplus for the year was due in great measure to the Insurance Company's contribution to the work of the General Trustees amounting to £2,386,000 in 2015 albeit this was exceptional arising from recent changes to its corporate structure and future payments should return to previous levels.

THE CHURCH OF SCOTLAND GENERAL TRUSTEES

TRUSTEES' REPORT - CONTINUED for the year ended 31 December 2015

C. FINANCIAL REVIEW (Continued)

Valuation of Assets

As a result of the change of status from that of a Designated Religious Body to a Designated Religious Charity which removed the previous exemption from compliance with charity accounting standards in respect of capitalising heritable properties, the General Trustees carefully considered the significant impact of the Statement of Recommended Practice 2005 on Accounting and Reporting by Charities given that they are the legal owners of around 4,000 buildings – churches, halls, manses, church officers' houses, steadings and the like – as well as around 550 glebes.

The General Trustees decided that these heritable assets fall into three classes which have been valued as follows:

Glebe land

The 12,545 acres of glebe land in their ownership have been brought into the Financial Statements at current value. Using information provided by the RICS Rural Land Market Survey for Scotland which suggested an average value of £2,500 per acre for pasture land at 31 December 2015 (2014 - £4,157), glebe land had a capitalised value of £31,362,000 at the balance sheet date (2014 - £52,151,000).

Churches and Halls

Splitting these into (a) churches with and without integral halls and (b) separate halls, the General Trustees adopted a value based on realised sale prices on a rolling five-year average basis which at the end of 2015 indicated an average price for churches (including churches with integral halls) of £132,055 (2014 - £134,470) and an average price of £97,105 for separate halls (2014 - £108,654). These figures disclosed capitalised values at 31 December 2015 of £178,670,000 for churches and £19,324,000 for halls.

Manses

The values of manses are based on a formula involving the midpoint of the relative Council Tax Band as at 1991 to which is applied indexing to each Band based on the Nationwide Building Society House Price Index for Scotland. This brought out a capitalised value for manses vested in the General Trustees of £253,560,000 as at 31 December 2015.

The total capitalised value of heritable assets as at 31 December 2015 was therefore £482,916,000 comprising 12,545 acres of glebe land, 1,353 churches, 199 halls and 838 manses. This capitalised sum accounts for 73.5% of the Charity's total net assets.

The General Trustees wish to emphasise that the year-end total capitalised value (i) represents the estimated value of land and buildings and is not 'cash in hand' nor is it equivalent to "market value" (ii) is held as restricted funds for the future benefit of congregations and is not available for wider purposes and (iii) is subject to volatility depending on future movement of the chosen indices. Nevertheless, the General Trustees are satisfied that for the purposes of their annual financial statements this represents a fair and reasonable assessment of the value of properties vested in them on the basis detailed above. The significant reduction in the assessment of the value of land is attributable to the revaluation basis adopted by the General Trustees.

THE CHURCH OF SCOTLAND GENERAL TRUSTEES

TRUSTEES' REPORT - CONTINUED for the year ended 31 December 2015

D. FUTURE PLANS

The General Trustees have been encouraged by the growing number of opportunities to work more collaboratively with Presbyteries in the following areas:

- to provide tools and resources to assist Presbyteries in the realistic assessment of the appropriate categories for churches and halls in the buildings section of Presbytery Plans;
- to audit the effectiveness with which Presbyteries operate the Care of Ecclesiastical Properties processes with particular regard to the following up of problems identified as urgent or essential in property inspection reports so that the Trustees can target resources more effectively;
- to continue with the delivery of property seminars to congregational office-bearers on a regional basis;
- to consult Presbyteries when considering policy or legislative changes.

The General Trustees would also wish to develop a process whereby one or two individual Trustees might be “attached” to a Presbytery, attending meetings and generally raising the profile of the General Trustees and the resources which are available to congregations. It is recognised that this approach is likely to involve considerable input and effort by Trustees and Advisory Members but it is felt that close co-operation will benefit congregations and will enable the Trustees to better focus resources available to them.

Depending on the outcome of consultation with a number of the Unincorporated Councils and Committees, the General Trustees are planning to bring proposals and relevant amending legislation to the General Assembly of 2017 dealing with Work At Buildings, greater flexibility in the operation of the Consolidated Fabric Fund, greater scope for re-allocating monies between Stipend and Fabric Funds as well as a review of how major expenditure on manses might be financed.

In 2014, the General Trustees committed themselves to working with Ministries Council for the second phase of the Chance To Thrive Project. This will involve financial input of £30,000 per year over three years so that a further four congregations in 2015 and another four in 2016 can be brought into the Project. A new Project Co-ordinator, Rev Fred Vincent, has been appointed whose role is to focus on supporting building projects including the working up of strategies to ensure on-going maintenance and funding. It is an integral part of his role to work more directly with the General Trustees’ executive staff and to attend meetings of the General Trustees’ Fabric Committee.

While there is much to be positive about, the General Trustees also have to deal with situations, usually arising from a lack of financial or personnel resources, where buildings have been neglected and are no longer assets but have become liabilities both for the congregations as well as for the General Trustees. In some cases, there have been unrealistic expectations amongst the office-bearers and congregations as to the future of the buildings compounded by a failure to address the strategic needs of Christian mission at the Presbytery level. In these cases, the General Trustees and their senior staff have to devote considerable resources of time, effort and finance to resolve the buildings-related problems. The General Trustees therefore encourage congregations and Presbyteries to engage with them before matters become too difficult to address.

THE CHURCH OF SCOTLAND GENERAL TRUSTEES

TRUSTEES' REPORT - CONTINUED for the year ended 31 December 2015

E. STRUCTURE, GOVERNANCE & MANAGEMENT

Constitution

The Church of Scotland General Trustees is a statutory corporation incorporated under the Church of Scotland (General Trustees) Order Confirmation Act 1921. After their setting up in 1921 their powers and responsibilities were greatly extended by the Church of Scotland (Property and Endowments) Act 1925 and subsequent legislation which provided, among other things, for the transfer to them of the majority of the properties of the pre-1929 Church of Scotland. The General Trustees are the major property-holding corporation of the Church of Scotland and the bulk of the functional buildings of the Church are vested in them as legal owners.

The General Trustees act, subject to directions from the General Assembly, as administrative trustees in respect of the heritable properties and funds which have been transferred to them and they are also charged with the administration of the Central Fabric Fund, the Consolidated Stipend Fund, the Consolidated Fabric Fund and various miscellaneous funds, mainly fabric-oriented. Other than as represented by tangible fixed assets, the two Consolidated Funds and the miscellaneous funds are held principally for the future benefit of individual congregations at the discretion of the General Trustees.

Organisation and Structure

General Trustees are appointed by the General Assembly which passes legislation and approves procedures to aid and enable the Trustees to carry out their functions. Directions and instructions from the General Assembly cannot conflict with the General Trustees' statutory powers or trusteeship responsibilities. Trustees who have, prior to the opening of a General Assembly, attained their seventy-fifth birthday cease to be Trustees from the date of the General Trustees' report to that General Assembly. The Trustees who served during the financial year and since the year end are listed on Page 2.

The General Trustees have historically met as a Board on ten occasions during the year. They are currently considering a reduction in the number of Board meetings. The General Trustees also operate through Committees which are responsible for particular aspects of the Trustees' work. The Fabric, Glebes and Chairman's Committees normally meet eleven times a year. The Audit Committee normally meets three times each year and the Finance Committee meets four times, one of these meetings being joint with the Audit Committee. The Law Committee is called as necessary. The Remits of each Committee are currently being reviewed with a number of amendments being made. The Committees are executive bodies which take decisions on behalf of the General Trustees on matters falling within their purview which do not involve a change of policy including:

- repairs and improvements at ecclesiastical buildings under the 1998 Assembly Regulations and the provision of financial assistance;
- visiting congregations usually in tandem with Presbytery representatives to give advice and encouragement in respect of a wide variety of fabric-related issues;
- approving the sale, purchase and lease of churches, halls and manses;
- approving the making of grant applications to Historic Environment Scotland and to Lottery funders; administration of glebe land through the carrying out of glebe rent reviews by factor

THE CHURCH OF SCOTLAND GENERAL TRUSTEES

TRUSTEES' REPORT - CONTINUED for the year ended 31 December 2015

E. STRUCTURE, GOVERNANCE & MANAGEMENT (Continued)

- members on the Glebes Committee and consideration of disposal of glebe land especially where development value can be achieved;
- interaction with the Scottish Government and other government agencies such as Historic Environment Scotland in relation to specific issues affecting the Church of Scotland or as part of the Scottish Churches Committee;
- scrutiny of the General Trustees' investments and investment strategy.

The Committees report their decisions to the next meeting of the full Board.

The day-to-day running of the General Trustees and the exercise of executive responsibility is delegated to their Secretary and Clerk and, in respect of financial matters, to their Finance Manager who is seconded from the Stewardship & Finance Department.

On their own initiative, the General Trustees seek instructions and directions from the General Assembly and they also promote General Assembly legislation to further their objectives when they present their Report to the Assembly each May. The General Trustees ensure that such instructions and directions are implemented timely. Frequently, this will involve close liaison and co-operation with other Councils and Committees and with external bodies such as the Scottish Churches Committee. The Trustees have streamlined the presentation of cases coming before them at Board and Committee and always strive to deliver an effective and efficient service to Congregations and Presbyteries.

Related Parties

The General Trustees and the Unincorporated Councils and Committees of the General Assembly of the Church of Scotland are component elements of the Church of Scotland, reporting annually to the General Assembly and subject to its direction and are thus related parties as stated in Note 31 to the Financial Statements. In carrying through their functions, the General Trustees work closely with the Unincorporated Councils and Committees (Mission & Discipleship, Ministries, Church & Society Council, etc) at both trustee and executive staff levels. A representative of Ministries Council is appointed as a Corresponding Member to the General Trustees and attends Board and Committee meetings. The Trustees meet from time to time with the Council of Assembly. The General Trustees have traditionally invested through the Church of Scotland Investors Trust and accordingly attend the twice-yearly meetings organised by the Trust for investors and in addition receive quarterly management reports regarding the three Funds administered by the Trust. The General Trustees and their executive staff rely heavily on the high level of skill and professional expertise of the Solicitor of the Church, her Depute and Assistants and support staff in the Law Department.

Given the structure of the Church of Scotland as a whole, the nature of the legislation under which the General Trustees operate and their fiduciary and other trusteeship obligations, the General Trustees tend to be reactive in respect of matters which come before them.

The Church of Scotland Insurance Services Limited is wholly owned by the Church of Scotland General Trustees apart from one share which is held by the Church of Scotland Trust out of the 530,000 issued shares. It is a Company trading as an insurance intermediary and is authorised and

THE CHURCH OF SCOTLAND GENERAL TRUSTEES

TRUSTEES' REPORT - CONTINUED for the year ended 31 December 2015

E. STRUCTURE, GOVERNANCE & MANAGEMENT (Continued)

Related Parties (Continued)

regulated by the Financial Conduct Authority. Further information regarding the relationship between the company and the General Trustees is contained later in the report. The accounts of the Company have been consolidated with those of the General Trustees.

Appointment and Induction of Trustees

General Trustees must either be Elders or Ministers of the Church of Scotland. Potential Trustees are identified in a number of ways: every four years each Presbytery is invited to put forward names of possible candidates; in addition the General Trustees advertise from time to time in Life & Work magazine. Personal recommendation also plays a part. In all cases, however, the General Trustees seek Elders or Ministers with relevant skills and expertise. Details of potential Trustees are scrutinised by the Chairman's Committee acting in its capacity as the Nomination Committee and those identified as suitable are personally interviewed by the Chairman and Vice-Chairman and one other Trustee after being given an opportunity of perusing an information pack including extracts from relevant legislation, the last financial report and audited financial statements, committee remits, staff organisation and directory and calendar of meetings.

Following successful interview, new members are co-opted as Advisory Members for at least a year before being put forward for formal appointment by the General Assembly. This enables the members to gain experience of attending Committee and Board meetings and accompanying Trustees on deputation visits before deciding if they wish to be nominated as full Trustees. Members are usually allocated to at least one of the executive Committees according to their skills and expertise. Every effort is made to fulfil training needs as these come to be identified and new members are encouraged to attend external trustee training courses.

Persons who are neither Elders nor Ministers of the Church of Scotland but whose skills and experience have been identified as relevant to the work of the General Trustees can also be co-opted to serve as Advisory Members. The General Trustees are aware that the number of such appointments should not be excessive. Advisory Members have no voting rights but otherwise play a full part in the work of the General Trustees by serving on Committees, attending Board meetings and undertaking deputation visits. One representative of the Ministries Council serves as a Corresponding Member.

All members of the General Trustees are volunteers and many are also involved at Congregational and Presbytery level. Some also serve on other Councils and Committees. Apart from the Chairman and Vice-Chairman who receive a modest honorarium as provided for in the 1925 Act, no members receive remuneration except expenses. The work of the General Trustees would be virtually impossible without the significant contribution of Congregational Boards, Kirk Sessions and of Presbytery officials all but three of whom are part-time and who undertake their duties as part of their Christian service. It is therefore important to note that while this voluntary effort is one of the strengths of the Church of Scotland, it also represents a limitation on the ability of the General Trustees to impose solutions on Congregations and Presbyteries. This is a reflection of the

THE CHURCH OF SCOTLAND GENERAL TRUSTEES

TRUSTEES' REPORT - CONTINUED for the year ended 31 December 2015

E. STRUCTURE, GOVERNANCE & MANAGEMENT (Continued)

Appointment and Induction of Trustees (Continued)

Presbyterian structure of the Church of Scotland which is evidenced in the lack of powers in Assembly legislation to force compliance. The General Trustees' risk register refers to this situation.

Risk Management

The General Trustees have implemented a formal risk assessment process. This involves identifying the major types of risks which the Charity faces, prioritising them in terms of potential impact and likelihood of occurrence, and identifying means of mitigating them. The Trustees are aware that risk assessment is not a one-off exercise and a review of their Risk Register is carried out on an annual basis.

The main risks have now been identified as:

- The build-up of major property-related problems at congregational level (allied to increasing lack of professional or technical knowledge) through failure to institute maintenance and repair programs and/or to monitor work at buildings and compounded by the lack of enforcement powers by the General Trustees.
- Failure at congregational level to comply with basic health and safety requirements and practices.
- The limited control over external organisations whose decisions may impact adversely on the work of the General Trustees.

The General Trustees seek to mitigate these risks as set out below:-

- Major property-related problems at Congregational level

Despite comprehensive legislation requiring annual and quinquennial inspection of churches, halls and manses and the introduction of simplified registers, there are still too many cases which come before the General Trustees where buildings have not been properly looked after by congregations compounded by the failure of Presbyteries to monitor and to take appropriate enforcement action. To encourage a more pro-active approach, the General Trustees have a number of measures in place including the holding of a rolling program of property seminars for congregational office-bearers, promoting the Letting It Happen booklet and the Church Buildings Maintenance website and the giving of advice and encouragement to congregational representatives both as a Help Desk function in the church offices and on deputation visits. In addition, the General Trustees are developing a system of audit checks on the follow-up of property inspection reports and are beginning to work with a number of Presbyteries on a more realistic assessment of which churches and halls are genuinely required for the mission of the Church. The appointment of a second Assistant Secretary (Ecclesiastical Buildings) will also help.

THE CHURCH OF SCOTLAND GENERAL TRUSTEES

TRUSTEES' REPORT - CONTINUED for the year ended 31 December 2015

E. STRUCTURE, GOVERNANCE & MANAGEMENT (Continued)

Risk Management (Continued)

- Non-compliance with basic health and safety requirements by congregations

As mentioned earlier, the Trustees have appointed a Safe Buildings Consultant to champion a change in the mind-set of congregational office-bearers towards health and safety matters.

The post-holder started in February 2016 and progress with assessing the current state of affairs and developing appropriate resources is at a very early stage. The General Trustees' Health & Safety Working Group has been constituted as a sub-committee of the Fabric Committee and will work closely with the Consultant.

- External issues

The General Trustees attempt to deal with this matter by keeping their concerns before the General Assembly, the Council of Assembly and individual Councils. The General Trustees are represented on other Councils through their Corresponding Members and they engage with the Council of Assembly from time to time meeting at least once each year with the Council's Finance Group. In addition, the Convener of the General Trustees' Audit Committee has been appointed to the Council's Governance Group. At the same time, the General Trustees endeavour to engage with Ministers and MSPs by responding to consultation papers issued by the Scottish Government, Historic Environment Scotland and other agencies and to liaise with local authorities particularly in relation to Planning and Development. In 2015, the General Trustees responded to the various Scottish Government consultations which have resulted from the program of land reform. The General Trustees greatly appreciate the concerted voice which they have through the Scottish Churches Committee on which the Secretary serves.

Corporate Governance

Charities in Scotland are facing increasing scrutiny as a result of major changes to the regulatory system and corporate bodies generally are under increasing pressure to demonstrate that the way they run their affairs complies with principles of good governance. The General Trustees have addressed the issues which arise from these two factors including the appointment, induction and training of their members, staff development, investment management, audit independence and risk management. The law and practice in this area is constantly developing and the General Trustees therefore keep the relevant issues under regular review. The Internal Auditors, Deloittes, have produced an audit plan which addresses a number of improvements to various aspects of the General Trustees' governance including the introduction of a Register of Interests and review of Committee Remits. In 2015, internal audit covered key financial controls as well as the operation of the Glebes Committee. A follow-up of certain governance recommendations from 2014 is planned for 2016.

A key element of governance – review by the General Trustees of the working of the Board and Committees – remains to be put in place and will be one of the elements of the internal audit plan.

THE CHURCH OF SCOTLAND GENERAL TRUSTEES

TRUSTEES' REPORT - CONTINUED for the year ended 31 December 2015

E. STRUCTURE, GOVERNANCE & MANAGEMENT (Continued)

Risk Management (Continued)

As mentioned previously, the Convener of the General Trustees' Audit Committee serves on the Council of Assembly's Governance Group and also attends meetings of its Audit Committee when considering the appointment of external auditors to the Unincorporated Councils and Committees.

F. EXEMPTIONS FROM DISCLOSURE

There are no exemptions that the charity has taken.

G. REFERENCE AND ADMINISTRATIVE DETAILS

SCOTTISH CHARITY NUMBER: SC014574

Offices

121 George Street
Edinburgh
EH2 4YR

Bankers

The Royal Bank of Scotland plc
36 St Andrew's Square
Edinburgh
EH2 2YB

Independent Auditors

PricewaterhouseCoopers LLP
141 Bothwell Street
Glasgow
G2 7EQ

The Church of Scotland Investors Trust

Mrs Nicola Robertson
Administrative Secretary
121 George Street
Edinburgh EH2 4YN

Secretary and Clerk

Mr David D Robertson LLB NP
121 George Street
Edinburgh EH2 4YR

Solicitor

Mrs Janette S Wilson LLB NP
121 George Street
Edinburgh EH2 4YN

Acting Treasurer

Mrs Anne F Macintosh BA CA
121 George Street
Edinburgh EH2 4YN

Finance Manager

Mr Alex Semple FCCA
121 George Street
Edinburgh EH2 4YN

THE CHURCH OF SCOTLAND GENERAL TRUSTEES

TRUSTEES' REPORT - CONTINUED for the year ended 31 December 2015

Statement of Trustees' Responsibilities

The trustees are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and regulations.

The law applicable to charities in Scotland requires the trustees to prepare financial statements for each financial year. Under that law the trustees have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under that law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of 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 that applicable UK Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The trustees are responsible for keeping accounting records that are sufficient to show and explain the charity's and group's transactions and disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the financial statements comply with the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended). They are also responsible for safeguarding the assets of 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 group and financial information included on the group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The financial statements on pages 22 to 40 were approved by the Board of Trustees on 12 April 2016 and signed on its behalf by

Edinburgh
12 April 2016

Iain C Douglas RD BArch FRIAS, Chairman

David D Robertson, LLB NP, Secretary

THE CHURCH OF SCOTLAND GENERAL TRUSTEES

Independent auditors' report to the trustees of The Church of Scotland General Trustees

Report on the financial statements

Our opinion

In our opinion, The Church of Scotland General Trustees financial statements (the financial statements"):

- give a true and fair view of the state of the charity's affairs as at 31 December 2015 and of its incoming resources and 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).

What we have audited

The financial statements, included within the [insert exact name of the document that contains the financial statements] (the "Annual Report"), comprise:

- the balance sheet as at 31 December 2015;
- the statement of financial activities for the year then ended;
- the 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 the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (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.

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.

THE CHURCH OF SCOTLAND GENERAL TRUSTEES

Responsibilities for the financial statements and the audit

Our responsibilities and those of the trustees

As explained more fully in the Trustees' Responsibilities Statement set out on page 19, 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 International Standards on Auditing (UK and Ireland) ("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 Regulation 24 of The Charities (Accounts and Reports) 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.

What an audit of financial statements involves

We conducted our audit in accordance with 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 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.

We primarily focus our work in these areas by assessing the trustees' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in 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.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Glasgow
12 April 2016

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.

- (a) The maintenance and integrity of The Church of Scotland General Trustees website is the responsibility of the trustees; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

THE CHURCH OF SCOTLAND GENERAL TRUSTEES

**CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
AND INCOME AND EXPENDITURE ACCOUNT
for the year ended 31st December 2015**

Note		Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total 2015 £000	Total 2014 £000
Income						
3 Donations and legacies						
3	Donations and legacies	35	1,266	-	1,301	1,104
4	Charitable Activities	170	6,832		7,002	7,278
5	Investment Income	223	4,926	110	5,259	4,522
6	Other	1,829	3,779	-	5,608	9,122
	Total income	2,257	16,803	110	19,170	22,026
Expenditure						
7 Costs of Raising Funds						
7	Costs of Raising Funds	17	-	-	17	25
11	Charitable Activities	1,071	15,554	-	16,625	17,334
11	Other	141	564	-	705	646
	Total expenditure	1,229	16,118	-	17,347	18,005
13	Net gains / (losses) on investments					
	Realised - Investments	(4)	(2)	-	(6)	(12)
	Unrealised - Investments	80	749	30	859	4,282
		76	747	30	853	4,270
	Net Incoming / (Outgoing) Resources	1,104	1,432	140	2,676	8,291
Transfers between Funds						
	Fabric Fund transfers	-	110	(110)	-	-
	General Fund to Fabric Fund	(1,000)	1,000	-		
12	Gains / (Losses) on revaluation of Tangible Fixed Assets					
		-	(34,838)	-	(34,838)	12,398
15	Other (Losses)					
		-	(12)	-	(12)	(465)
	Net Movement in Funds	104	(32,308)	30	(32,174)	20,224
	Total funds brought forward	13,318	673,143	2,757	689,218	668,994
22	Total funds carried forward	13,422	640,835	2,787	657,044	689,218

The Charitable Company has no other items of comprehensive income. All the activities of the Charity are classified as continuing.

THE CHURCH OF SCOTLAND GENERAL TRUSTEES

**BALANCE SHEETS
As at 31st December 2015**

Note	Group		Charity	
	2015 £000	2014 £000	2015 £000	2014 £000
Fixed Assets				
12 Tangible Assets	482,917	517,132	482,916	517,124
13 Investments	151,281	155,778	148,097	152,712
14 Investment in Subsidiary Company	-	-	6,448	7,278
Total fixed assets	634,198	672,910	637,461	677,114
15 Long Term Loans	2,224	4,722	2,224	4,722
Current Assets				
15 Short Term Loans	1,754	1,215	1,754	1,215
16 Debtors	2,476	2,201	707	499
Short Term Deposits	16,941	11,016	16,941	11,016
Cash at Bank and in hand	2,751	3,687	13	27
Total current assets	23,922	18,119	19,415	12,757
17 Creditors: Amounts falling due within one year	3,204	6,445	2,056	5,375
Net Current Assets	20,718	11,674	17,359	7,382
Total Assets less Current Liabilities	657,140	689,306	657,044	689,218
18 Provisions for Liabilities and Charges	96	88	-	-
Net Assets	657,044	689,218	657,044	689,218

The funds of the charity:

19 Endowment Funds	2,787	2,757	2,787	2,757
20 Restricted income Funds	640,835	673,143	640,835	673,143
21 Unrestricted income Funds	6,974	6,040	6,974	6,040
22 Designated Funds	6,448	7,278	6,448	7,278
Total charity funds	657,044	689,218	657,044	689,218

The notes on pages 25 to 40 form an integral part of these financial statements.

The financial statements on pages 22 to 40 were authorised for issue by The Church of Scotland General Trustees on 12 April 2016 and were signed on its behalf by:

Iain C Douglas RD BArch FRIAS, Chairman

Anne F Macintosh BA CA, Acting Treasurer

THE CHURCH OF SCOTLAND GENERAL TRUSTEES

STATEMENT OF CONSOLIDATED CASH FLOWS
for the year ended 31st December 2015

	2015 £000	2014 £000
Note		
Cash flows from operating activities:		
25 Net cash provided by (used in) operating activities	<u>9,575</u>	<u>13,431</u>
Cash flows from investing activities:		
Purchase of Tangible Assets	(12,044)	(10,695)
Proceeds from sale of Tangible Assets	5,778	11,519
Purchase of Investments	(26,775)	(30,397)
Transfer to Short Term Deposits	7,622	-
Proceeds from sale of Investments	24,503	17,764
Payments of Loans to Congregations	(5,434)	(6,019)
Repayments of Loans from Congregations	1,764	1,763
Net cash provided by (used in) investing activities	<u>(4,586)</u>	<u>(16,065)</u>
Cash flow from financing activities:		
Net cash change in financing activities	<u>-</u>	<u>-</u>
Increase /(decrease) in cash and cash equivalents in the reporting year	4,989	(2,634)
Cash and cash equivalents at the beginning of the reporting year	14,703	17,337
26 Cash and cash equivalents at the end of the reporting year	<u>19,692</u>	<u>14,703</u>

THE CHURCH OF SCOTLAND GENERAL TRUSTEES

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31st December 2015

1 Accounting Policies

The principal accounting policies adopted, judgement and key sources of estimation uncertainty in the preparation of the financial statements are as follows:

a) Basis of preparation

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) – (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 10") and the Charities and Trustee Investment (Scotland) Act 2005, and the Charities Accounts (Scotland) Regulations 2006.

The Church of Scotland General Trustees meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note (s).

b) Reconciliation with previous Generally Accepted Accounting Practice

In preparing the accounts, the trustees have considered whether in applying the accounting policies required by FRS 102 and the Charities SORP FRS 102 the restatement of comparative items was required and noted none were required.

As disclosed in Note 12, the financial statements include the capitalisation of expenditure deemed to be of a capital nature along with the depreciation of Manses. The cost of capital expenditure over £50,000 on properties as incurred by individual congregations are also included in the financial statements as income on the basis that these are donated assets as the property titles are vested in the General Trustees.

c) Preparation of accounts on a going concern basis

The Trustees have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its financial statements.

d) Group financial statements

The results of the Church of Scotland Insurance Services Limited have been consolidated on a line by line basis in the Statement of Financial Activities and the balance sheet. The accounting policies of the subsidiary company do not materially differ from those of the General Trustees and inter-group transactions and balances have been eliminated from the consolidated financial statements. No separate Statement of Financial Activities or Income and Expenditure Account have been presented for the charity alone as permitted by Charities SORP (FRS 102).

e) Income

Generally 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.

Investment Income and Interest Receivable - dividends from the Church of Scotland Investors Trust Growth and Income Funds are accounted for on cash received basis with interest earned on the Deposit Fund accounted for up to the balance sheet date.

THE CHURCH OF SCOTLAND GENERAL TRUSTEES

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED **for the year ended 31st December 2015**

e) Income (Continued)

Property sales income is recognised according to the transaction's settlement date (almost always the date of receipt).

Gift Aid Donations are now reflected as distributions by our subsidiary trading company following the publication of the ICAEW Technical Release "Guidance on Donations from a Company to its Parent Charity" on 31 October 2014.

Commissions –Insurance commissions are recognised as income when receivable.

Donated assets as described above are included as income in the year that they are recognised.

Rental income is recognised on an accruals basis.

f) Expenditure

Expenditure is included in the Statement of Financial Activities on an accruals basis and allocated to the appropriate headings in the financial statements. Grants and loans payable are accrued in full on the date of approval and commitment by the Trustees.

The costs of generating funds include the costs incurred in generating voluntary income, together with investment management costs.

Charitable activities expenditure enables the Church of Scotland General Trustees to meet their charitable aims and objectives.

Governance costs are the costs associated with the governance arrangements of the Church of Scotland General Trustees, and relate to the general running of the Charity. These costs include internal and external audit, and the costs associated with meeting constitutional and statutory requirements such as the costs of Trustee Meetings and the costs of preparation of the Trustees' financial statements. This category also includes costs associated with the strategic as opposed to the day-to-day management of the Charity.

Support costs are those costs that enable fund generating and charitable activities to be undertaken. These costs include finance, payroll administration, human resources and information technology, and are allocated as set out in note 8.

g) Employee benefits

The Church of Scotland Insurance Services Limited provides a range of benefits to employees, including defined contribution pension plans.

h) Taxation

The Church of Scotland General Trustees, as a statutory corporation, have charitable status for UK tax purposes and are exempt from tax on income and gains to the extent that they are applied to its charitable activities. The Church of Scotland Insurance Services Limited presently distributes part of its taxable income by way of Gift Aid but the remainder of its profits are chargeable to Corporation Tax. Provision is also made for deferred taxation, using the liability method, on all material timing differences, including revaluation gains and losses on investments, recognised in the Subsidiary Company's profit and loss account. Deferred taxation is calculated at the rates at which it is expected that the tax will arise.

THE CHURCH OF SCOTLAND GENERAL TRUSTEES

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED for the year ended 31st December 2015

1 Accounting Policies (Continued)

i) Tangible assets

Tangible assets are stated at cost (or deemed cost) less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs.

Glebeland and Heritable Properties

Glebe land and Heritable Properties whose titles are vested in the General Trustees have been capitalised on the basis of valuation set out in Note 12 as has capital expenditure incurred by the General Trustees and congregations on major projects costing over £50,000 during the year. In the case of Manses depreciation has been charged on a straight line basis over 50 years based on the year-end valuation. Depreciation is not charged on other property categories as this is deemed not material.

Tangible Fixed Assets excluding Heritable Properties

Tangible Fixed Assets costing more than £5,000 are capitalised. All other tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation and residual values

Land is not depreciated. Depreciation on other assets (excluding heritable properties) is calculated, using the straight-line method, to allocate the cost to their residual values over their estimated useful lives, as follows:

Office Furniture and Equipment	5 years
Computers	3 years

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Repairs, maintenance and minor inspection costs are expensed as incurred.

Derecognition

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the new disposal proceeds and the carrying amount is recognised in profit or loss and included in 'Other operating (losses)/gains'.

j) Impairment of non-financial assets

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit).

The recoverable amount of the asset (or asset's cash generating unit) is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's (or asset's cash generating unit) continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

THE CHURCH OF SCOTLAND GENERAL TRUSTEES

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED for the year ended 31st December 2015

1 Accounting Policies (Continued)

j) Impairment of non-financial assets (Continued)

If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the statement of financial activities.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the statement of financial activities.

k) Investments

Investments

Investments are stated at market value and in the case of equity based investments the valuation basis is middle market. The investment in the Subsidiary Company is stated at the underlying value of its net assets.

Gains and losses on disposal and revaluation of investments are recorded in the Consolidated Statement of Financial Activities.

Investments in subsidiary company

Investments in the subsidiary company are held as cost less accumulated impairment losses.

Subsidiary Company

The principal activity of the Church of Scotland Insurance Services Limited is arranging insurance and providing risk management support to the congregations of the Church of Scotland.

l) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities

m) Provisions and contingencies

Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

THE CHURCH OF SCOTLAND GENERAL TRUSTEES

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED for the year ended 31st December 2015

1 Accounting Policies (Continued)

m) Provisions and contingencies (Continued)

Contingencies

Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

n) Long Term and Short Term Loans

Fabric loans to congregations are recognised in the Balance Sheet at 'Fair Value' less a provision for estimated irrecoverable amounts.

o) Financial instruments

The charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction price and subsequently measured at their settlement value, unless the arrangement constitutes a financing transaction. Financing transactions are initially measured at the present value of the future receipts discounted at a market rate of interest, and are subsequently carried at amortised cost, using the effective interest rate method.

p) Fund Accounting

The General Fund is an unrestricted fund which is available for use at the discretion of the Trustees in furtherance of the general objectives of the General Trustees and which has not been designated for other purposes.

Designated Funds comprise unrestricted funds that have been set aside by the Trustees for particular purposes.

Restricted Funds are funds which are to be used in accordance with specific restrictions imposed by donors or Assembly instruction.

Permanent Endowment Funds are funds which are to be retained as capital in accordance with the wishes of donors.

q) Related party transactions

The charity discloses transactions with related parties which are not wholly owned with the same group. It does not disclose transactions with members of the same group that are wholly owned.

r) Transition to FRS 102

The transition date is 1 January 2014. One restatement of items has been required in making the transition to Charities SORP (FRS 102).

Loans repayable by congregations have been restated by £465,000 in 2014 in calculating a 'Fair Value' of these loans using an internal rate of return of 3.5%.

THE CHURCH OF SCOTLAND GENERAL TRUSTEES

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED for the year ended 31st December 2015

2 Critical accounting judgements and estimation uncertainty

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical judgements in applying the entity's accounting policies

There are no critical judgements in applying the company's accounting policies.

Key accounting estimates and assumptions

Valuation of Assets

The Trustees decided that these heritable assets fall into three classes which have been valued as follows:

Glebeland

The glebeland in their ownership have been brought into the Financial Statements at current value. Using information provided by the RICS Rural Land Market Survey for Scotland which suggests an average value of pastureland per acre at the balance sheet date.

Churches and Halls

These assets have been split into (a) churches with and without integral halls and (b) separate halls; the Trustees adopted a value based on realised sale prices on a rolling five-year average basis.

Manses

The values of manses are based on a formula involving the midpoint of the relative Council Tax Band as at 1991 to which is applied indexing to each Band based on the Nationwide Building Society House Price Index for Scotland.

The Trustees wish to emphasise that the year-end total capitalised value (i) represents the estimated value of land and buildings and is not 'cash in hand' nor is it equivalent to "market value" (ii) is held as restricted funds for the future benefit of congregations and is not available for wider purposes and (iii) is subject to volatility depending on future movement of the chosen indices.

THE CHURCH OF SCOTLAND GENERAL TRUSTEES

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
for the year ended 31st December 2015

		2015 £000	2014 £000			
3 Donations and legacies						
Legacies		45	62			
Mission & Renewal Fund - Budget & Donations		291	291			
Donations		153	46			
Monies from Other Boards/Committees		38	39			
New Capital from Congregations		774	666			
		1,301	1,104			
4 Charitable activities						
Supporting Parish Ministry		37	20			
Providing Suitable Buildings - Donated Assets		6,795	6,939			
Other - General Fund		170	319			
		7,002	7,278			
5 Investment Income						
Dividends		5,097	4,442			
Interest		162	80			
		5,259	4,522			
6 Other Incoming Resources						
Rental Income		1,675	1,586			
Subsidiary Company Trading Income		1,820	2,765			
Gain on Sale of Tangible Assets - Non Vested Assets		1,713	4,330			
Levies on Property Sales		392	433			
Sundry Income		8	8			
		5,608	9,122			
7 Charitable Activities						
	Direct Costs	Grant Funding	Support Costs (Note 8)	Governance Costs (Note 9)	Total 2015	Total 2014
	£000	£000	£000	£000	£000	£000
Supporting Parish Ministry	3,416	-	30	-	3,446	3,763
Providing Suitable Buildings	11,369	332	407	-	12,108	12,934
Other - General Fund	792	-	7	272	1,071	637
	15,577	332	444	272	16,625	17,334
An analysis of fabric grants payable during the year is set out in note 27.						
8 Analysis of Support Costs				2015 £000	2014 £000	
Legal				312	332	
Finance and Payroll				90	89	
Human Resources				17	16	
Central Premises				15	15	
Information Technology				10	10	
				444	462	

Where possible, legal costs are directly allocated to the appropriate cost category. The balance of legal costs and all other support costs are apportioned to cost categories on the basis of direct expenditure incurred.

THE CHURCH OF SCOTLAND GENERAL TRUSTEES

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
for the year ended 31st December 2015

	2015	2014
	£000	£000
9 Governance Costs		
External Audit - Charity	54	22
External Audit - Subsidiary Company	7	8
Internal Audit	11	8
Trustees' Remuneration and Expenses (See Note 10)	28	25
Expenses of Advisory Members etc.	5	2
Trustees' Indemnity Insurance	6	6
Professional Support for Trustees	50	50
Subsidiary Company's Directors' Remuneration	111	107
	272	228

10 Employees and trustees

Employees

Salary and related employment costs reimbursed to the Church of Scotland	560	547
--	------------	------------

The General Trustees do not employ any staff, except in its Subsidiary Company, but reimburse the Church of Scotland for the services of staff employed by the Church's Central Services Committee, but working primarily for the General Trustees. The average number of such employees, calculated as full time equivalents, was 13 (2014 - 13).

In addition, the undernoted staff costs were incurred by the Subsidiary Company, The Church of Scotland Insurance Services Limited.

Salaries	107	107
Social Security Costs	19	19
Defined Contribution Pension Costs	11	10
Other Staff Costs	-	5
	137	141

No. of employees whose earnings plus benefit in kind exceeded £60,000 -

£60,001 - £70,000	1	1
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Trustees

Other than the Chairman and Vice-Chairman, who each received £1,660 (2014 - £1,620), the individual Trustees received no remuneration. Authority to pay this remuneration is contained in Section 38 of the Church of Scotland (Property and Endowment) Act 1925.

Expenses incurred and amounting in total to £24,242 were reimbursed to 32 Trustees (2014 - £21,262 to 25 Trustees).

Key management compensation

Key management includes the Board and members of The Church of Scotland Insurance Services Limited. The compensation paid or payable to key management for employee services is shown below:

	2015	2014
	£	£
Salaries and other short-term benefits	110,951	106,539
Post-employment benefits	21,963	21,772
	132,914	128,311

THE CHURCH OF SCOTLAND GENERAL TRUSTEES

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED for the year ended 31st December 2015

11 Other Expenditure

As more fully explained in Note 14, taxable profits now arise in the Trustees' trading subsidiary, the Church of Scotland Insurance Services Limited. As a result provision is now made for Corporation Tax.

	2015 £000	2014 £000
Subsidiary Company - Trading expenditure	133	316
Deferred tax	8	(297)
Loss on disposal of Tangible Assets - See Note 12	564	627
	<u>705</u>	<u>646</u>

12 Tangible Assets

Cost	Land £000	Heritable Properties £000	Charity £000	Subsid. Co Office Equipment £000		Group £000
				Equipment £000	Group £000	
At beginning of the year	52,151	464,973	517,124	97	517,221	
Additions	-	12,043	12,043	1	12,044	
Disposals	(2)	(6,340)	(6,342)	(89)	(6,431)	
Revaluations	(20,787)	(19,122)	(39,909)	-	(39,909)	
At end of the year	<u>31,362</u>	<u>451,554</u>	<u>482,916</u>	<u>9</u>	<u>482,925</u>	
Accumulated depreciation						
At beginning of the year	-	-	-	89	89	
Depreciation	-	5,071	5,071	2	5,073	
Disposals	-	-	-	(83)	(83)	
Revaluations	-	(5,071)	(5,071)	-	(5,071)	
At end of the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>8</u>	<u>8</u>	
Net book value at beginning of the year	52,151	464,973	517,124	8	517,132	
Net book value at end of the year	<u>31,362</u>	<u>451,554</u>	<u>482,916</u>	<u>1</u>	<u>482,917</u>	
Net gains on disposal of tangible fixed assets						
Proceeds	57	5,721	5,778	-	5,778	
Opening net book value	(2)	(6,340)	(6,342)	(6)	(6,348)	
Net realised gains / (losses) in year	55	(619)	(564)	(6)	(570)	

As reported in previous years, following close discussions with the Auditors the General Trustees have capitalised all the heritable assets vested in them on a basis which recognises the estimated value of the assets. It was also agreed with the office of the Scottish Charity regulator that this basis of valuation would be applied by the Trustees in preparing their financial statements. The basis of valuation used is as follows:

Category of Asset

Glebe Land

Manses

Churches with or without Integral Halls

Separate Halls

Basis of Valuation

Current average value of pasture land in Scotland as provided by the RICS Rural Land Market Survey.

Mid point of the relative Council Tax band in 1991 as adjusted by the current Nationwide Building Society House Price Index for Scotland.

Sale price achieved for such properties on a five year moving average.

Sale price achieved for such properties on a five year moving average.

During the year expenditure on property which was deemed to be of a capital nature has been capitalised along with the cost of capital expenditure on properties as incurred by individual congregations on the basis that these are donated assets as the property titles are vested in the General Trustees.

THE CHURCH OF SCOTLAND GENERAL TRUSTEES

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED for the year ended 31st December 2015

12 Tangible Assets (Cont'd)

At the year end the value of land and properties are recalculated on the above bases of valuation and the net book value adjusted to these revised values, hence the revaluation adjustments shown above.

13 Investments

	Group	Charity	
	2015 £000	2014 £000	2015 £000
Fair value at beginning of the year	155,778	138,866	152,712
Acquisitions at cost	26,775	30,397	26,464
Disposals at opening fair value / cost	(24,509)	(17,767)	(24,192)
Transfers to Short Term Deposits	(7,622)	-	(7,622)
Net gains on revaluation	859	4,282	735
Fair value at end of the year	151,281	155,778	148,097
Historic cost at end of the year	98,879	104,605	96,302
Net (losses) / gains on disposal of investments			
Proceeds	24,503	17,764	24,190
Opening fair value	24,509	17,767	24,192
Net realised (losses) / gains in year	(6)	(3)	(2)
			5
Analysis of Investments at 31st December			
Church of Scotland Investors Trust - Growth Fund	105,924	99,043	105,924
Church of Scotland Investors Trust - Income Fund	17,087	11,512	17,087
Church of Scotland Investors Trust - Deposit Fund	25,086	42,157	25,086
Ordinary Stocks and Shares and Unit Trusts	3,184	3,066	-
	151,281	155,778	148,097
			152,712

In addition to the net realised (losses) / gains disclosed above for 2014 there was also a loss of £8,709 incurred on the realisation of short term investments resulting in a total loss of £12,000 for the group and £4,000 for the charity.

Short Term Deposits were reclassified in 2015 and now include only investments held on deposit, mainly temporary funds, that can be called upon at short notice and are not held in any medium or long term investment funds.

14 Subsidiary Company

The share capital of the Church of Scotland Insurance Services Limited is wholly owned by the Church of Scotland General Trustees, apart from one share which is held by the Church of Scotland Trust out of 530,000 issued shares and is authorised and regulated by the Financial Conduct Authority. The Company arranges cover for most classes of insurance and continues to insure Church of Scotland congregations as well as the congregations of other denominations. It does not have charitable status for tax purposes. The investment in the Subsidiary Company is stated at the underlying value of its net assets.

A summary of the trading results is shown below. The information is taken from the audited financial statements of the Church of Scotland Insurance Services Limited and includes transactions with the Church of Scotland General Trustees.

THE CHURCH OF SCOTLAND GENERAL TRUSTEES

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED for the year ended 31st December 2015

14 Subsidiary Company (continued)

	2015 £000	2014 £000
Turnover	1,820	2,764
Investment Income	53	114
Total Income	<u>1,873</u>	<u>2,878</u>
Expenditure	(430)	(459)
Operating Profit	<u>1,443</u>	<u>2,419</u>
Gains on Investment Assets	121	93
Profit on ordinary activities before taxation	1,564	2,512
Taxation Credit / (Charge)	(8)	297
Net Operating Profit before Gift Aid payment	<u>1,556</u>	<u>2,809</u>
Gift Aid payment to the General Trustees	(2,386)	(2,920)
Reserves brought forward	6,748	6,859
Reserves carried forward	<u>5,918</u>	<u>6,748</u>
Subsidiary Company Funds:		
Assets	7,692	8,437
Liabilities	<u>(1,244)</u>	<u>(1,159)</u>
Total Funds (including 530,000 ordinary shares of £1 each)	<u>6,448</u>	<u>7,278</u>
The summary results of the Charity are as follows:		
Total Income	17,297	19,148
Total Expenditure	<u>(16,915)</u>	<u>(17,843)</u>
Net Surplus	382	1,305
Gains / (Losses) on Tangible Assets	(34,930)	16,464
Other (Losses)	(12)	(465)
Gift Aid payment from Subsidiary Company	2,386	2,920
Funds brought forward	689,218	668,994
Funds carried forward	<u>657,044</u>	<u>689,218</u>

15 Loans

Loans fall into three categories; 1) Interest Free; 2) Interest Bearing (presently at 3% or 5%) and 3) Bridging (1.5% above base rate at the end of the year)

Loan movements were as follows:

	Interest Free £000	Interest Bearing £000	Bridging Loans £000	Total £000
Value at beginning of the year	2,038	3,899	-	5,937
Other Gains / (Losses)	(16)	4	-	(12)
Loans voted	1,284	1,392	225	2,901
Loans cancelled	(1,027)	(2,371)	(225)	(3,623)
Movement in Provisions	262	277	-	539
Loans repaid	(923)	(841)	-	(1,764)
Value at end of the year	<u>1,618</u>	<u>2,360</u>	-	<u>3,978</u>
Less : Amounts repayable within one year	<u>1,140</u>	<u>614</u>	-	<u>1,754</u>
Amounts repayable after one year	<u>478</u>	<u>1,746</u>	-	<u>2,224</u>

Interest free and interest bearing loans are normally advanced for periods of between three and six years, and are repayable by half yearly instalments.

The values at the beginning of the year have been restated by £465,000 to take into account the reduction in the value of the loans after applying a 3.5% internal rate of return to the historical values to determine a 'Fair Value' of the loans as at 31 December 2014.

THE CHURCH OF SCOTLAND GENERAL TRUSTEES

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
for the year ended 31st December 2015

16 Debtors

	Group		Charity	
	2015 £000	2014 £000	2015 £000	2014 £000
Interest Receivable	314	170	314	169
Subsidiary Company Insurance Debtors	1,734	1,644	-	-
Debtors and Prepayments	428	387	393	330
	2,476	2,201	707	499

Subsidiary Company Insurance Debtors are stated after provisions for impairment of £Nil (2014: £Nil).

17 Creditors: Amounts falling due within one year

	Group		Charity	
	2015 £000	2014 £000	2015 £000	2014 £000
Loans voted but not paid	-	2,757	-	2,757
Grants voted but not paid	743	2,194	743	2,194
Subsidiary Company Insurance creditors & Provisions	1,114	1,031	-	-
Sundry Creditors and Accruals	397	458	363	419
Due to the Church of Scotland Unincorporated Councils and Committees	950	5	950	5
	3,204	6,445	2,056	5,375

18 Provision for other liabilities

	Group		Charity	
	2015 £000	2014 £000	2015 £000	2014 £000
Deferred Taxation on unrealised investment gains				
At beginning of the year	88	385	-	-
Provision for year	8	(297)	-	-
At end of the year	96	88	-	-

19 Permanent Endowment Funds

	Balance 1 Jan 2015 £000	Income £000	Expenditure £000	Transfers £000	Other Gains / (Losses) £000	Balance 31 Dec 2015 £000
	£000				£000	£000
Providing Suitable Buildings - Fabric Funds	2,757	110	-	(110)	30	2,787

The above funds are represented by a number of endowment funds held, the income from which is required to be used for the benefit of congregational fabric needs.

20 Restricted income Funds

Supporting Parish Ministry

Glebe Funds	53,400	450	(376)	(249)	(20,786)	32,439
Consolidated Stipend Fund	76,514	3,006	(3,013)	458	889	77,854
	129,914	3,456	(3,389)	209	(19,897)	110,293

THE CHURCH OF SCOTLAND GENERAL TRUSTEES

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
for the year ended 31st December 2015

	Balance				Other Gains / (Losses) £000	Balance 31 Dec 2015 £000		
	1 Jan	Income £000	Expenditure £000	Transfers £000				
	2015 £000							
20 Restricted income Funds (continued)								
Providing Suitable Buildings								
Consolidated Fabric Fund	517,672	3,725	(6,680)	3,518	(14,133)	504,102		
Individual & Temporary Funds	10,309	7,868	(6,051)	(3,991)	11	8,146		
Central Fabric Fund	15,248	1,754	2	1,374	(84)	18,294		
	543,229	13,347	(12,729)	901	(14,206)	530,542		
Total Restricted Funds	673,143	16,803	(16,118)	1,110	(34,103)	640,835		

The Central Fabric Fund's balance at 31 December 2014 was £15,713,000. This balance has been reduced by an FRS 102 adjustment of £465,000 to £15,248,000. Details of the FRS 102 adjustment are disclosed in Notes 1 a) and 15.

The stipend funds are restricted for stipend purposes and the Trustees use the income to support the ministry costs of individual congregations. The Consolidated Stipend Fund is regarded as a permanent endowment fund for investment strategy purposes as described in the Trustees' Report on page 4. The restricted fabric funds mainly comprise the net asset value of capitalised heritable properties (£451,554,000) and partly funds which are held for the purpose of supporting fabric needs of congregations.

21 Unrestricted income Fund

	Balance				Total Gains / (Losses) £000	Gift Aid Distribution £000	Balance 31 Dec 2015 £000			
	1 Jan	Income £000	Expenditure £000	Transfers £000						
	2015 £000									
Other - General Fund	6,040	384	(791)	(1,000)	(45)	2,386	6,974			

22 Designated Funds

(a) Group	£000	£000	£000	£000	£000	£000	£000
	Other - Subsidiary Company	7,278	1,873	(438)	-	121	(2,386)
(b) Charity	£000	£000	£000	£000	£000	£000	£000
Other - Subsidiary Company	7,278	-	-	-	(830)	-	6,448

This value equates to the net assets of the Subsidiary Company and will fluctuate in line with this.

23 Analysis of group net assets among funds

	Endowment	Restricted	Unrestricted	Designated	2015	2014
	£000	£000	£000	£000	£000	£000
Tangible Assets	-	482,916	-	1	482,917	517,132
Investments	2,787	136,829	8,481	3,184	151,281	148,156
Long Term Loans	-	2,224	-	-	2,224	4,722
Current Assets	-	19,380	35	4,507	23,922	25,741
Current Liabilities	-	(514)	(1,542)	(1,148)	(3,204)	(6,445)
Provisions for Liabilities and Charges	-	-	-	(96)	(96)	(88)
	2,787	640,835	6,974	6,448	657,044	689,218

THE CHURCH OF SCOTLAND GENERAL TRUSTEES

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED for the year ended 31st December 2015

24 Financial instruments

The group and charity have the following financial instruments:

	Group 2015 £000	2014 £000	Charity 2015 £000	2014 £000
Loans and receivables held at amortised cost				
Loans	3,978	5,937	3,978	5,937
Interest receivable	314	170	314	169
Subsidiary company insurance debtors	1,734	1,644	-	-
Debtors	428	387	393	330
Short term deposits	16,941	11,016	16,941	11,016
Cash at bank and in hand	2,751	3,687	13	27
	<u>26,146</u>	<u>22,841</u>	<u>21,639</u>	<u>17,479</u>

Financial liabilities measured at amortised cost

	2015 £000	2014 £000
Loans voted but not paid	-	2,757
Grants voted but not paid	743	2,194
Subsidiary Company Insurance creditors and provisions	1,114	1,031
Sundry creditors and accruals	397	458
Due to Church of Scotland Unincorporated Councils and Committees	950	5
	<u>3,204</u>	<u>6,445</u>
	<u>2,056</u>	<u>5,375</u>

25 Reconciliation of net income/(expenditure) to net cash flow from operating activities

	2015 £000	2014 £000
Net income/(expenditure) for the reporting period (as per the statement of financial activities)	(32,174)	20,224
Adjustments for:		
Depreciation charges	5,073	5,193
Losses/(gains) on revaluation and sale of tangible assets	35,408	(11,771)
(Gains) on revaluation and sale of investments	(853)	(4,279)
Increase in Provision for Loans in Creditors	2,677	4,071
Increase / (Decrease) in Provision for Deferred Tax	8	(297)
(Increase) / decrease in Debtors	(275)	166
Decrease / (Increase) in Loans due from Congregations	195	388
(Decrease) in Creditors	(484)	(264)
Net cash provided by (used in) operating activities	9,575	13,431

26 Analysis of cash and cash equivalents

	2015 £000	2014 £000
Short term deposits	16,941	11,016
Cash at bank	2,751	3,687
Total cash and cash equivalents	19,692	14,703

THE CHURCH OF SCOTLAND GENERAL TRUSTEES

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED for the year ended 31st December 2015

27 Analysis of Fabric Grants Awarded to Congregations

	2015 £000	2014 £000
Providing Suitable Buildings		
Standard		
Churches / Halls - 111 (2014 - 95)	701	797
Manses - 12 (2014 - 31)	157	104
	<hr/>	<hr/>
Less: Grants lapsed or cancelled	858	901
	<hr/>	<hr/>
	(803)	(348)
	<hr/>	<hr/>
	55	553
Priority		
Churches - 42 (2013 - 38)	1,013	1,021
Manses - 64 (2013 - 3)	64	214
	<hr/>	<hr/>
Less: Grants lapsed or cancelled	1,077	1,235
	<hr/>	<hr/>
	(800)	(378)
	<hr/>	<hr/>
Total Net Grants Awarded	277	857
	<hr/>	<hr/>
	332	1,410
	<hr/>	<hr/>

Grants totalling £1,079,059 that were previously awarded but have not yet been taken up were cancelled at the year end and recorded as a Contingent Liability. - See Note 29.

28 Capital Commitments

As at 31 December 2015, the General Trustees had approved a number of capital projects which will enable congregations to draw down on balances within the Consolidated Fabric Fund. Due to these projects comprising both capital and revenue expenditure and with some projects having a number of funding partners, the extent of the capital commitment cannot be estimated with any accuracy other than being limited to the amount held in name of the congregation concerned.

29 Contingent Liabilities

A contingent liability exists in relation to grants received from the Community Fund, the Heritage Lottery Fund and Historic Scotland in respect of work at buildings vested in the General Trustees. Some or all of the individual grants could become repayable in certain circumstances, such as the sale of the properties within a specified period from the date of receipt of the grant. In cases where the proceeds of sale and other funds held by the Congregations concerned were less than the amounts of the grants repayable, there could be a liability falling on the General Trustees to repay the balance of grants. At 31st December 2015 the contingent liability, representing the total grants awarded, amounted to approximately £3,963,000 (2014 - £17,252,000). As at 31st December 2015 there is also a contingent liability for grants awarded but not yet drawn down of £1,079,059 (2014 - £0) and also loans awarded but not yet drawn down of £2,679,347 (2014 - £0).

A further contingent liability exists in that the General Trustees are the titular proprietors of the bulk of the Congregational property of the Church of Scotland. The individual Congregations are charged with the maintenance and adequate insurance of their property but in the event of their not having the resources to meet statutory obligations these would fall on the General Trustees. It is not possible to quantify this potential liability but at 31st December 2015 the Trustees are not aware of any specific liability against which provision need be made.

THE CHURCH OF SCOTLAND GENERAL TRUSTEES

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED for the year ended 31st December 2015

30 Transfers of Funds

There have been numerous transfers of balances between funds throughout the year, the net effects of which are shown in notes 19 to 22. These generally represent balances held in respect of individual congregations being transferred from one fund to another.

31 Related party transactions and controlling party

The Church of Scotland General Trustees are a component element of the Church of Scotland which has Designated Religious Charity status. This also includes The Unincorporated Councils and Committees of the General Assembly of the Church of Scotland and The Church of Scotland Investors Trust, neither of which is controlled by the other but both of which are related parties and report individually to the General Assembly.

The General Trustees paid over to the Ministries Council, which is one of the Church of Scotland's Unincorporated Councils and Committees, the sum of £3,359,000 (2014 - £3,258,000) representing net revenue income from its Stipend and Glebe Revenue Funds.

The General Trustess paid £196,000 to the Ministries Council's Go For It Fund representing that Council's one-half share of the Levy on property sales (2014 -£202,000) and gave a grant of £Nil to the Chance to Thrive project (2014 - £36,000).

The Church of Scotland Unincorporated Councils and Committees receive monies and make payments on behalf of the Church of Scotland General Trustees via a current account. At the end of the financial year, the sum of £950,000 was due to the Church of Scotland Unincorporated Councils and Committees to the Church of Scotland General Trustees (2014 - £5,000). Both bodies are answerable to the General Assembly of the Church of Scotland. In addition to the staff costs referred to in Note 9, the General Trustees paid internal support costs to the Unincorporated Councils and Committees of £444,000 in respect of accommodation, information technology, human resources, finance and legal services (2014 - £462,000).

In addition, some of the congregations of which individual General Trustees are members or Trustees have deposits/investments with the General Trustees and received interest/dividends. These arrangements were all on an arm's length basis in line with agreements with all other congregations.