

The Representative Church Body – Report 2012

THE REPRESENTATIVE BODY OF THE CHURCH OF IRELAND

FINANCIAL STATEMENTS – PAGE 1

YEAR ENDED 31 DECEMBER 2011

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THE REPRESENTATIVE BODY OF THE CHURCH OF IRELAND
EXECUTIVE COMMITTEE AND OTHER INFORMATION **PAGE 3**

CHAIRMAN

- Mr RS Neill

MEMBERS (*ex officio*)

- The Archbishop of Armagh
- The Archbishop of Dublin
- Mr GC Richards (Allocations Committee)
- Mr HJ Saville (Investment Committee) (Deputy Chairman)
- Mr RH Kay (Property Committee)
- Mr W Oliver (Stipends Committee)

MEMBERS (elected)

- The Bishop of Meath
- Rev AJ Forster
- Ven CT Pringle
- Ven REB White
- Mr TH Forsyth
- Mr LJW MacCann
- Mr DG Perrin
- Mr MJT Webb

BANKERS

- Bank of Ireland
College Green, Dublin 2
- Bank of Ireland
Talbot Street, Dublin 1

CUSTODIANS

- Northern Trust
Canary Wharf, London E14 5NT

AUDITORS

- PricewaterhouseCoopers
One Spencer Dock, North Wall Quay, Dublin 1

OFFICERS

- Chief Officer and Secretary
- Head of Finance
- Head of Property and Trusts
- Head of Synod Services and Communications
- Head of Investments
- Senior Solicitor
- Mr DC Reardon
- Mr TA Clements
- Mr TJ Stacey
- Mrs JM Maxwell
- Mr R Asher
- Mr M McWha

OFFICE: Church of Ireland House, Church Avenue, Rathmines, Dublin 6.

THE REPRESENTATIVE BODY OF THE CHURCH OF IRELAND

EXECUTIVE COMMITTEE REPORT

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The financial statements of the Representative Body include outcomes and performance for which the RCB is responsible relating primarily to “General Funds” and “Parish, Diocesan and Other Trust Funds”. The costs and net current balance accruing specifically to RCB activities are absorbed by the other funds as appropriate.

The General Funds of the Church of Ireland are vested in the RCB and many of the central activities of the Church depend on General Funds for support. In the year, as set out in the Statement of Financial Activities on page 11 of the financial statements, the value of General Funds fell by more than €12m, this loss being due in the main to a transfer of €5m to the Clergy Pensions Fund (following a similar transfer in 2010) and poor performance of European equities.

The preservation for future generations of the resource represented by General Funds is regarded by the RCB as being of prime importance. This year and in future years the focus in reporting is and will be on the overall impact of activities on the value of General Funds and the strategy in particular for these will be to rebuild capability for the longer term.

Statement of Trustee’s Responsibilities

The Representative Body, as Trustee, is responsible for preparing the annual report and the financial statements in accordance with the accounting policies of the Representative Body. In preparing the financial statements the Representative Body is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- disclose and explain material differences from applicable Accounting Standards;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that it will continue in business.

The Representative Body, as Trustee, confirms that it has complied with the above requirements in preparing the financial statements.

The Trustee is responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the organisation. It is also responsible for safeguarding the assets of the organisation and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

RS Neill
Chairman, Executive Committee
13 March 2012

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THE REPRESENTATIVE BODY OF THE CHURCH OF IRELAND REPORT OF THE INDEPENDENT AUDITORS

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Independent auditors' report to the Representative Body of the Church of Ireland

We have audited the financial statements of the Representative Body of the Church of Ireland for the year ended 31 December 2011, which comprise the Statement of Financial Activities, the Balance Sheet, and the Cash Flow Statement and the related notes. These financial statements have been prepared in accordance with the Basis of Preparation note on pages 7 and 8, and the accounting policies set out in the statement of accounting policies on pages 8 to 10.

Respective responsibilities of trustees and auditors

The responsibilities of the Representative Body, as Trustee, for preparing the Annual Report and the financial statements in accordance with applicable accounting standards issued by the Accounting Standards Board and published by The Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland) are set out in the Statement of Trustee's Responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Trustee as a body and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements are properly prepared in all material respects, in accordance with the Basis of Preparation note on pages 7 and 8 and the accounting policies on pages 8 to 10. We state whether we have obtained all the information and explanations we consider necessary for the purposes of our audit and whether the financial statements are in agreement with the books of account.

We read the Executive Committee Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Trustee in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Representative Body's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

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Chartered Accountants

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**THE REPRESENTATIVE BODY OF THE CHURCH OF IRELAND
REPORT OF THE INDEPENDENT AUDITORS**

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**Independent auditors' report to the Representative Body of the Church of Ireland -
continued**

Opinion

In our opinion, the financial statements have been properly prepared in accordance with the basis of preparation note and accounting policies on pages 7 to 10 and present the state of the Representative Body's affairs as at 31 December 2011 and of its incoming resources and application of resources and cash flows for the year then ended in accordance therewith.

We have obtained all the information and explanations which we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the Trustee. The financial statements are in agreement with the books of account.

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

**PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin**

13 March 2012

1. The significant accounting policies adopted by the Representative Body are as follows:

(i) **Basis of preparation**

The Representative Body of the Church of Ireland (RCB) was incorporated by Royal Charter in 1870 under the provisions of the Irish Church Act, 1869. Its legal structure is that of charitable trustee or trust corporation with perpetual succession. The Representative Church Body undertakes the following activities:

- The administration of trusts together with the provision of investment and treasury management services. A charge is recovered from the beneficial owners of the investments under the RCB's management in respect of the costs incurred by the RCB in providing the investment and treasury management services.
- The provision of other management services including payroll services provided for the dioceses, property and legal services to parishes, dioceses and the wider Church, and the provision of support to the core work of the Church generally. The costs incurred by the RCB in providing these services are recovered from the investment income earned on investments managed by the RCB on behalf of the General Synod.

The financial information in relation to the activities of the RCB and the assets under its management is presented in columnar format in the Statement of Financial Activities (SoFA) on page 66 and the Balance Sheet on page 68.

• **RCB activities**

The SoFA represents the costs which are incurred directly by the RCB in providing investment, administrative, legal, property and other services to the dioceses and parishes of the Church of Ireland. A charge in respect of the costs of investment and treasury management services is recovered from the beneficial owners of the investments. Other costs are recovered from the investment income earned on investments managed by the RCB on behalf of the General Synod.

The column headed 'RCB Activities' on the Balance Sheet represents the assets and liabilities of the RCB. Church and other related property assets are held by the RCB as trustee on behalf of the wider Church, but the RCB is not the beneficial owner. Such assets are not reflected on the balance sheet.

• **General Funds**

The column headed 'General Funds' in the SoFA represents the investment income earned from investments which are under the management of the RCB but are held for the benefit of the wider Church of Ireland. The costs incurred by the RCB in the provision of investment and other services are recovered from the General Funds investment income earned. Allocations represent amounts expended on wider church activities as detailed in Note 8.

The column headed 'General Funds' in the Balance Sheet discloses the assets which are under the management of the RCB, but which are held for the benefit of the wider Church of Ireland.

- **Parish, diocesan and other trust funds**

The column headed 'Parish, diocesan and other trust funds' in the SoFA shows the investment and deposit income earned from investments which are under the management of the RCB but which are beneficially owned by the dioceses, parishes and specific trusts. It also shows income tax reclaimed on behalf of parishes in Northern Ireland under the Gift Aid scheme. A charge to the beneficial owners is made in respect of investment and management services provided by the RCB.

The column under this heading in the Balance Sheet discloses, for information purposes, the assets which are under the management of the RCB, but which are beneficially owned by the dioceses, parishes and specific trusts.

- (ii) **Valuation of investments** – The Representative Body has classified investments as financial assets at fair value.

Initial measurement

Purchases and sales of financial instruments are accounted for at trade date for financial statement purposes. Realised gains and losses on disposals of financial instruments are calculated based on the difference between the average cost of the assets sold and the sale proceeds at the date of sale. Transaction costs for financial instruments are recognised directly and included in the cost of the investment. Transaction costs associated with the disposal of a financial instrument are offset against the sales proceeds received.

Subsequent measurement

After initial measurement the Representative Body measures financial instruments at fair value. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. On the last business day of the year when markets are open for business, the fair value of financial instruments is based on their official closing prices on a recognised exchange. Both realised and unrealised gains and losses on arm's length transactions are recognised in the Statement of Financial Activities on page 66.

In the case of instruments not traded on an exchange, fair value is determined on the basis of their probable realisable value at the balance sheet date, determined with care and in good faith by a competent person appointed by the Head of Investments, approved by the Investment Committee for that purpose, without any deduction for estimated future selling costs.

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ACCOUNTING POLICIES

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- (iii) **Income recognition** – Income includes interest and dividends receivable during the financial year and, in the case of General Fund assets, reflects bought and sold interest on bond transactions in the accounting period.

- (iv) **Foreign exchange translation** – The Functional and Presentation currency of the Representative Body is Euro. This is considered to be the currency of the primary economic environment.

Assets and liabilities in currencies other than the functional currency of the Representative Body are translated into euro at the exchange rates ruling at the balance sheet date. Transactions in currencies other than the functional currency of the Representative Body are translated into euro at the rates ruling at the transaction date. Gains and losses on foreign exchange transactions are recognised in the Statement of Financial Activities on page 66. Sterling is the most significant currency other than euro for transactional and balance sheet purposes, and at the year end the rate was €1 = £0.8353 (2010 €1 = £0.8607).

- (v) **Taxation** – The Representative Body has been granted charitable taxation status by the Revenue Commissioners and by HM Revenue and Customs in the tax jurisdictions of Ireland and the United Kingdom respectively. It is recognised as a charity under section 207 of the Taxes Consolidation Acts, 1997, with the registration number CHY2900, and under the Section 505 of the Income and Corporation Tax Act 1988, under registration number XN45816.

Neither the Representative Body nor any other entity for which results are shown is generally chargeable to Irish and UK taxation on its income or capital gains. Withholding tax refunds received are recognised at the point when they are recovered.

- (vi) **Loans** – Loans in the General Funds Balance Sheet are stated at book cost at the balance sheet date.

- (vii) **Financial Risk** – The Representative Body manages a variety of risks, including market price, interest rate, foreign currency and liquidity, through the maintenance of a widely diversified portfolio of actively traded financial instruments. Note 16 to the financial statements sets out the exposure and the detail of treatment adopted.

- (viii) **Tangible fixed assets and depreciation** – Land is stated at cost. Other fixed assets are stated at cost less accumulated depreciation and are depreciated over the period of their expected useful economic lives. Depreciation is calculated using the following annual rates: Premises: 2% to 10%; Furniture and fittings: 8% to 10%; Office equipment: General 20%, System software 10%, Other software 20%.

- (ix) **Allocations** – Allocations are recognised in the General Funds column in the year in which they are expended.

Included in Reserves is an amount provided for the expected value of Allocations to be expended in 2012, and also an Allocations Equalisation Reserve which is utilised to smooth the impact of expected Allocations expenditure on income arising in the year.

- (x) **Retirement benefits** – Defined benefit pension scheme assets are measured at fair value. The year-end bid price is taken as the fair value of these assets. Defined benefit pension scheme liabilities are measured on an actuarial basis using the projected unit method. The excess of scheme liabilities over scheme assets is presented on the balance sheet as a liability net of related deferred tax. The defined benefit pension charge included in Resources Expended on the Statement of Financial Activities (SoFA) comprises the current service cost and past service costs. An excess arising of the expected return on scheme assets over the interest cost on the scheme liabilities is presented in the SoFA as part of the cost of operations. Actuarial gains and losses arising from changes in actuarial assumptions and from experience surpluses and deficits are recognised in the SoFA in the year in which they occur.

- (xi) **Cost of operations**

The cost of generating funds comprises the payroll costs of investment management, legal and accounting services, including those made available to the wider Church, external fund management costs and associated allocated overheads.

Charitable activities costs comprise those payroll and associated allocated overheads ascribed to trust and property management, communications, education and the RCB Library.

Governance costs relate to the payroll and associated allocated overhead costs incurred in supporting General Synod, central committee expenses and episcopal electoral expenses.

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THE REPRESENTATIVE BODY OF THE CHURCH OF IRELAND
STATEMENT OF FINANCIAL ACTIVITIES
YEAR ENDED 31 DECEMBER 2011

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	2011			2010			
	Notes	RCB activities €'000	General Funds €'000	Parish, Diocesan and Other Trust Funds €'000	RCB activities €'000	General Funds €'000	Parish, Diocesan and Other Trust Funds €'000
Incoming resources							
Income from investments		-	6,692	7,760	-	5,896	7,456
Income from property and loans		-	168	-	-	139	-
Deposit Interest		-	244	1,013	-	192	1,001
Tax refund Gift Aid		-	-	1,724	-	-	1,622
Sale of assets		-	-	-	-	799	-
Sundries		-	170	-	-	146	-
Subvention from Stipends and Royalties Funds		-	197	-	-	200	-
		-	7,471	10,497	-	7,372	10,079
Resources expended							
Costs of operations							
Cost of generating funds	6	1,621	-	-	1,526	-	-
Charitable activities	6	840	-	-	836	-	-
Governance costs	6	397	-	-	386	-	-
Other resources expended	7	356	-	-	470	-	-
RCB costs recovered	6	(3,214)	2,679	535	(3,218)	2,718	500
		-	2,679	535	-	2,718	500

Net incoming resources before allocations and distributions		-	4,792	9,962	-	4,654	9,579
Allocations and distributions							
- Allocation to Church activities expended in year	8	-	4,198	-	-	4,528	-
- Special pension contributions and charges	15	-	5,000	-	-	5,000	-
- Distributions		-	-	9,962	-	-	9,579
		-	9,198	9,962	-	9,528	9,579
(Decrease) in resources before gains and losses		-	(4,406)	-	-	(4,874)	-
Recognised gains and (losses)							
(Losses)/gains on investment assets	5,10	-	(11,612)	(6,905)	-	(555)	16
Gains/(losses) on revaluation	5,10	-	2,595	(68)	-	4,809	284
Currency movements	5,10	-	1,906	1,541	-	2,299	1,546
Other recognised (losses)/gains	5	(521)	28	-	(943)	(254)	-
Transfers between funds	15	521	(521)	-	943	(943)	-
Net (loss)/gain in funds		-	(12,010)	(5,432)	-	482	1,846
Total restated funds brought forward	4,9	-	152,515	215,785	-	152,033	215,750
Capital withdrawals	10c	-	-	(1,999)	-	-	(1,811)
Total funds carried forward		-	140,505	208,354	-	152,515	215,785

Signed: RS Neill

HJ Saville

Date: 13 March 2012

BALANCE SHEET

31 DECEMBER 2011

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NET CURRENT ASSETS		71	6,742	35,075	-	341	5,432	37,780
LONG TERM (LIABILITY)								
Staff pension scheme (deficit)	14	(3,366)	-	-	(3,195)	-	-	-
BALANCE WITH GENERAL FUNDS		(1,372)	1,372	-	(1,316)	1,316	-	-
TOTAL NET ASSETS		-	140,505	208,354	-	152,515	215,785	
FUNDS EMPLOYED	5, 10c	-	140,505	208,354	-	152,515	215,785	

Signed: RS Neill
HJ Saville
Date: 13 March 2012

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THE REPRESENTATIVE BODY OF THE CHURCH OF IRELAND

CASH FLOW STATEMENT

YEAR ENDED 31 DECEMBER 2011

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		2011	2010
		General Funds	Parish, Diocesan and Other Trust Funds
Notes	RCB €000	€000	€000
			Total as restated €000
NET INCOMING RESOURCES			
BEFORE ALLOCATIONS AND DISTRIBUTIONS	11	721	3,639
9,962			3,563
ALLOCATIONS AND DISTRIBUTIONS			
Allocations expended and distributions		(4,198)	(9,962)
Special pension contributions and other charges		-	59
		(5,350)	(4,933)
	721	(5,909)	59
			(5,697)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENTS			
Purchase of investments	-	(95,380)	(2,059)
46,408			
Sale of investments including currency movements	-	100,994	1,167
49,911			
Gains and losses including currency movements	-	2,366	1,071
(549)			
Advances of glebe, miscellaneous and car loans	-	(259)	-
(587)			
Repayment of glebe, miscellaneous and car loans	-	249	-
685			
Purchase of fixed assets	(59)	-	-
(217)			
Sale of fixed assets	-	-	-
832			
NET CASH FLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENTS	(59)	7,970	179
3,667			
FINANCING			
Net cash inflow - RCB funds	-	-	-
208			
Net cash (outflow) for specific trusts	-	-	(2,884)
(3,347)			
NET CASH FLOW FROM FINANCING	-	-	(2,884)
(3,139)			
INCREASE/(DECREASE) IN CASH	12	662	2,061
(2,646)			(5,169)

Signed: RS Neill

HJ Saville

Date: 13 March 2012

THE REPRESENTATIVE BODY OF THE CHURCH OF IRELAND
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED **PAGE 14**

1 TANGIBLE FIXED ASSETS

	Premises €000	Furniture and fittings €000	Office equipment €000	Total €000
<u>Cost</u>				
At beginning of year	5,087	478	1,382	6,947
Additions	-	9	40	49
Disposals	-	-	-	-
Currency adjustment	7	-	3	10
At end of year	<u>5,094</u>	<u>487</u>	<u>1,425</u>	<u>7,006</u>
<u>Depreciation</u>				
At beginning of year	709	344	1,042	2,095
Charge for year	113	29	99	241
Disposals	-	-	-	-
Currency adjustment	1	-	2	3
At end of year	<u>823</u>	<u>373</u>	<u>1,143</u>	<u>2,339</u>
<u>Net book value</u>				
At beginning of year	<u>4,378</u>	<u>134</u>	<u>340</u>	<u>4,852</u>
At end of year	<u>4,271</u>	<u>114</u>	<u>282</u>	<u>4,667</u>

THE REPRESENTATIVE BODY OF THE CHURCH OF IRELAND
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED **PAGE 15**

2 GENERAL FUNDS – ANALYSIS OF FUND ASSETS

	2011 €000	2010 €000
<u>Investments at valuation</u>		
Ireland		
Government bonds	4,426	5,165
Corporate bonds	1,676	363
Equities - financial	47	340
Equities - commercial	6,058	9,331
Unit trusts	688	729
United Kingdom		
Bonds	14,478	-
Equities	24,789	35,768
Unit trusts	-	36,133
Europe		
Bonds	27,829	24,574
Equities	33,592	30,554
Rest of the world		
Bonds	3,173	-
Equities	11,151	13
	<u>127,907</u>	<u>142,970</u>
<u>Other assets</u>		
Cash	3,018	1,341
	<u>130,925</u>	<u>144,311</u>

3 PARISH, DIOCESAN AND OTHER TRUST FUNDS

	2011 €000	2010 €000
RB General Unit Trusts	172,559	177,344
Cash	720	661
	<u>173,279</u>	<u>178,005</u>

THE REPRESENTATIVE BODY OF THE CHURCH OF IRELAND
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED **PAGE 16**

4 RESTATEMENT OF CAPITAL EMPLOYED AND RESERVES

(a) INVESTED FUNDS EMPLOYED			
	Balance at 1.1.11 €000	Adjusted €000	Restated opening balances €000
Capital invested	133,721	12,713	146,434
Unrealised surplus/(deficit) on revaluation of investments	11,612	(11,612)	-
Unrealised surplus on revaluation of property	367	-	367
	<u>145,700</u>	<u>1,101</u>	<u>146,801</u>
(b) DESIGNATED RESERVES			
	Balance at 1.1.11 €000	Adjusted €000	Restated opening balances €000
Allocations equalisation reserve	3,801	-	3,801
Staff pension - FRS 17 deficit	(3,195)	-	(3,195)
Building development reserve	801	(801)	-
Computer development reserve	300	(300)	-
Staff pensions reserve	91	-	91
	<u>1,798</u>	<u>(1,101)</u>	<u>697</u>
Allocations provision for following year - from creditors	-	4,391	4,391
Sundry designated reserves - from creditors	-	626	626
	<u>-</u>	<u>5,017</u>	<u>5,017</u>
Restated designated reserves	<u>1,798</u>	<u>3,916</u>	<u>5,714</u>
(c) TOTAL FUNDS EMPLOYED	<u>147,498</u>	<u>5,017</u>	<u>152,515</u>

Capital employed and reserves at 1 January 2011 are restated to facilitate the presentation of outcomes for the year in Statement of Financial Activities format.

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THE REPRESENTATIVE BODY OF THE CHURCH OF IRELAND

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

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5 FUNDS EMPLOYED

	Restated balances at 1.1.11 (Note 4) €000	Net before gains and losses €000	Currency translation movements €000	Recognised losses/ transfers €000	Profit on investment sales €000	Revaluation movements €000	Balance at 31.12.11 €000
Capital invested	146,434	-	1,894	(5,350)	2,595	(11,642)	133,931
Unrealised surplus on revaluation of property	367	-	-	-	-	-	367
Invested assets	146,801	-	1,894	(5,350)	2,595	(11,642)	134,298
Less - Staff pension deficit	(3,195)	-	-	(171)	-	-	(3,366)
Net capital invested	143,606	-	1,894	(5,521)	2,595	(11,642)	130,932
Designated reserves							
Allocations provision for following year (Note 8)	4,391	-	-	204	-	-	4,595
Allocations equalisation reserve	3,801	(4,406)	12	4,794	-	30	4,231
Staff pensions reserve	91	-	-	2	-	-	93
Sundry designated reserves	626	-	-	28	-	-	654
	<u>152,515</u>	<u>(4,406)</u>	<u>1,906</u>	<u>(493)</u>	<u>2,595</u>	<u>(11,612)</u>	<u>140,505</u>

General Funds capital changes records the transfer of €5.0m to support the solvency of the Clergy Pensions Fund, and €350,000 to support the Staff Pension Fund.

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THE REPRESENTATIVE BODY OF THE CHURCH OF IRELAND

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

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6	COSTS OF OPERATIONS	2011 €000	2010 €000
	Cost of generating funds		
	Payroll and related costs	1,354	1,372
	Less - payroll costs recharged	(246)	(266)
		<u>1,108</u>	<u>1,106</u>
	External managers	222	125
	Office supplies, repairs and taxes	165	157
	Depreciation	126	138
		<u>1,621</u>	<u>1,526</u>
	Costs of undertaking charity and trust obligations		
	Payroll and related costs	668	678
	Less - payroll costs recharged	(228)	(249)
		<u>440</u>	<u>429</u>
	Office supplies, repairs and taxes	104	99
	Depreciation	79	86
	RCB Library	217	222
		<u>840</u>	<u>836</u>
	Governance costs		
	Payroll and related costs	316	328
	Less - payroll costs recharged	(190)	(194)
		<u>126</u>	<u>134</u>
	Office supplies, repairs and taxes	47	45
	Depreciation	36	39
	Audit fees	80	79
	Central committee expenses	101	89
	Episcopal electors expenses	7	-
		<u>397</u>	<u>386</u>
	Total cost of operations	<u>2,858</u>	<u>2,748</u>

RCB costs of operations arising are recovered as appropriate from General Funds or Restricted Trust Funds.

The activities falling under each function heading are set out in Accounting Policy (xi), on page 10 of the financial statements.

THE REPRESENTATIVE BODY OF THE CHURCH OF IRELAND

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

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7 OTHER RESOURCES EXPENDED

	2011	2010
	€000	€000
Professional costs	179	190
Pensions for retired staff	124	123
Reorganisation costs	53	157
	<u>356</u>	<u>470</u>

8 ALLOCATIONS

	2012	2011	2010
	€000	€000	€000
(a) Reserve for following year			
Maintenance of the stipendiary ministry	1,449	1,275	1,294
Retired clergy and surviving spouses	732	943	1,174
Training of ordinands	1,447	1,212	1,315
General Synod activities	962	960	1,009
Miscellaneous financing	5	1	25
Reserve for following year (see Note 5)	<u>4,595</u>	<u>4,391</u>	<u>4,817</u>
		2011	2010
		€000	€000
(b) Expended in year			
Reserve released		4,391	4,817
Less - allocations unexpended		193	289
		<u>4,198</u>	<u>4,528</u>

The 2012 provision for Allocations, shown in designated reserves in Note 5, is the gross amount committed by General Funds to be expended on wider Church activities in 2012. The value of subventions in 2011 was €97,000 (2010 - €200,000) and is shown in incoming resources.

THE REPRESENTATIVE BODY OF THE CHURCH OF IRELAND
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9 RESTATEMENT OF PARISH, DIOCESAN AND OTHER TRUST FUNDS

INVESTED ASSETS

	Balance at 1.1.11 €000	Adjusted €000	Restated Opening Balance €000
Parish trusts and glebe sales	119,236	-	119,236
Diocesan stipend and general funds	21,780	-	21,780
Diocesan miscellaneous trusts	8,691	-	8,691
Diocesan episcopal funds	4,370	-	4,370
Less: diocesan car loans	(465)	-	(465)
	<u>153,612</u>	<u>-</u>	<u>153,612</u>
Sundry trusts	38,344	4,354	42,698
General Synod funds	<u>8,203</u>	<u>-</u>	<u>8,203</u>
OTHER TRUST FUNDS	200,159	4,354	204,513
Pensions and related funds (i)	110,931	(107,749)	3,182
Auxiliary and Sundry Projects Funds (ii)	<u>4,354</u>	<u>(4,354)</u>	<u>-</u>
TOTAL	<u>315,444</u>	<u>(107,749)</u>	<u>207,695</u>

(i) The trusteeship of the Clergy Pensions Fund transferred from the RCB to the Church of Ireland Clergy Pensions Trustee Limited as at 1 January 2011. As a consequence, the invested assets of the Clergy Pensions Fund are no longer consolidated in the Balance Sheet of the RCB. The restated opening balance comprises restricted trusts held for the benefit of retired clergy and spouses.

(ii) The invested assets of the Auxiliary and Sundry Projects Funds are accumulations of trusts held and administered by the RCB, for the benefit of the wider Church of Ireland, and are from 2011 included with other Sundry Trusts.

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

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10 PARISH, DIOCESAN AND OTHER TRUST FUNDS

	Balance at 1.1.11 as restated (Note 9) €000	Currency translation movements €000	Capital changes/ movements €000	Profit/ (loss) on sales €000	Revaluation movements €000	Balance at 31.12.11 €000
(a) INVESTED CAPITAL						
Parish trusts and glebe sales	119,236	924	(2,084)	17	(4,120)	113,973
Diocesan stipend and general funds	21,780	220	(58)	(85)	(715)	21,142
Diocesan miscellaneous trusts	8,691	61	51	-	(339)	8,464
Diocesan episcopal funds	4,370	43	5	-	(161)	4,257
Less: diocesan car loans	(465)	(5)	40	-	-	(430)
	<u>153,612</u>	<u>1,243</u>	<u>(2,046)</u>	<u>(68)</u>	<u>(5,335)</u>	<u>147,406</u>
Sundry trusts	42,698	228	(1,039)	-	(1,169)	40,718
General Synod funds	8,203	46	(114)	-	(310)	7,825
Trusts for retired clergy and spouses (i)	3,182	24	34	-	(91)	3,149
	<u>207,695</u>	<u>1,541</u>	<u>(3,165)</u>	<u>(68)</u>	<u>(6,905)</u>	<u>199,098</u>

(i) Previously combined with Pensions and related funds - see Note 9

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10 PARISH, DIOCESAN AND OTHER TRUST FUNDS (continued)

(b) PARISH, DIOCESAN AND OTHER FUNDS RESERVES

	2011 €000	2010 €000
Designated		
Diocesan stipend & general funds	6,079	5,005
Parish endowments	31	94
Miscellaneous diocesan trusts	373	401
General Synod trusts	222	147
Other trust funds	1,549	1,603
Clergy pensions & related funds	223	183
Trust creditors	250	303
	<u>8,727</u>	<u>7,736</u>
Undesignated		
Auxiliary and Sundry Projects Funds	<u>529</u>	<u>354</u>
Summary - reserves		
Designated	8,727	7,736
Undesignated	<u>529</u>	<u>354</u>
	<u>9,256</u>	<u>8,090</u>

(c) SUMMARY - PARISH, DIOCESAN AND OTHER TRUST FUNDS

	2011 €000	2010 €000
Capital funds invested	199,098	207,695
Designated and undesignated reserves	<u>9,256</u>	<u>8,090</u>
	<u>208,354</u>	<u>215,785</u>
Net withdrawals		
Capital realised (10a)	(3,165)	(1,779)
Movement in reserves (10b)	<u>1,166</u>	<u>(32)</u>
	<u>(1,999)</u>	<u>(1,811)</u>

THE REPRESENTATIVE BODY OF THE CHURCH OF IRELAND
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PAGE 23
11 CASH FLOW RECONCILIATION

The Cash Flow Statements have been prepared in accordance with Financial Reporting Standard No 1 as required by the Accounting Standards Board.

Reconciliation of surplus of incoming resources before allocations and distributions to net cash inflow:

	2011	2011	2011	2010
		General	Parish, Diocesan and Other	Total as restated
Notes	RCB €000	Funds €000	Trust Funds €000	€000
Net incoming resources before allocations and distributions	-	4,792	9,962	3,242
Other recognised losses	227	(227)	-	-
Change in other debtors	73	(706)	-	(15)
Change in creditors	177	(220)	-	71
Net amortisation of fixed assets	1 244	-	-	264
Effect of foreign exchange rate changes	-	-	-	1
Net cash inflow	721	3,639	9,962	3,563

12 ANALYSIS OF CHANGES IN CASH DURING THE YEAR

Net cash inflow/(outflow)	662	1,964	(3,040)	(5,846)
Effect of foreign exchange rate changes	-	97	394	677
Increase/(decrease) in cash	662	2,061	(2,646)	(5,169)
Balance at 1 January	(130)	6,204	38,441	49,025
Balance at 31 December	13 532	8,265	35,795	43,856

13 ANALYSIS OF CASH BALANCES

Cash on short term deposit	-	5,247	35,062	42,632
Due from/(to) bankers	532	-	13	(117)
Cash held by investment managers	-	3,018	720	1,341
	12 532	8,265	35,795	43,856

Where relevant 2010 notes have been restated to exclude cash held for Unit Trusts and related entities.

THE REPRESENTATIVE BODY OF THE CHURCH OF IRELAND

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

PAGE 24

14 RETIREMENT BENEFITS

- (a) The Representative Body operates a contributory defined benefit pension scheme with assets held in a separately administered fund. The most recent triennial valuation was as at 1 January 2011 and is available for inspection by the scheme members. The scheme is closed to new members.

The 1 January 2011 valuation showed that the market value of the assets of the scheme was €7.626m which represented 64% of the benefits that had accrued to members after allowing for expected future increases in earnings.

The figures for the year ending 31 December 2011 under FRS17 (and comparatives for 31 December 2010) show that the fair value of the assets of the scheme to be €7.609m (€7.674m), and that this represents 69% of the value of benefits that had accrued to members as at that date. The market value of assets has deteriorated by €0.065m (0.8%) during the year. The present value of scheme liabilities as calculated by the actuary under FRS17 has increased from €10.87m to €10.97m in 2011. As required by FRS17 the valuation was prepared using the 'projected unit cost' method.

Amongst the assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments, the discount rate, and the actuarial changes in mortality projections. The discount rate, as prescribed by FRS 17, is based on the market yield at the valuation date of high quality corporate bonds, and was set at 5.0%.

The actuarial calculation of the amounts to be recognised in the Statement of Financial Activities is shown in Note 14c following. The current service cost and net finance cost are included in resources expended.

- (b) Financial Reporting Standard 17 'Retirement Benefits' disclosures

The amounts recognised in the balance sheet are as follows:

	2011 €000	2010 €000
Present value of funded obligations	(10,975)	(10,869)
Fair value of plan assets	7,609	7,674
Pension Liability in the balance sheet	<u>(3,366)</u>	<u>(3,195)</u>

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
PAGE 25
14 RETIREMENT BENEFITS - CONTINUED
(c) The amounts recognised in the Statement of Financial Activities are:

	2011 €000	2010 €000
Interest cost	590	548
Expected return on plan assets	(537)	(460)
Net finance expense	53	88
Current service cost - included in costs of operations	202	177
	<u>255</u>	<u>265</u>
Actuarial gains/(losses)	2011 €000	2010 €000
Actual less expected return on scheme assets	(878)	407
Experience gains on liabilities	737	91
Change in assumptions underlying the present value of the scheme liabilities	(379)	(1,441)
	<u>(520)</u>	<u>(943)</u>

The cumulative actuarial loss recognised up to and including the financial year ended 31 December 2011 is €4.221m.

	Pension Assets €000	Pension Liabilities €000	2011 Pension Deficit €000	2010 Pension Deficit €000
(d) Movement in Scheme Assets and Liabilities				
At 31 December 2010	7,673	(10,868)	(3,195)	(2,252)
Current Service Cost	-	(202)	(202)	(177)
Interest on scheme liabilities	-	(590)	(590)	(548)
Expected return on scheme assets	537	-	537	460
Actual less expected return on scheme assets	(878)	-	(878)	407
Experience gains on liabilities	-	737	737	91
Changes in assumptions	-	(379)	(379)	(1,441)
Benefits paid	(362)	362	-	-
Premiums paid	(33)	33	-	-
Contributions by plan participants	68	(68)	-	-
Employer contributions paid	604	-	604	265
At 31 December 2011	<u>7,609</u>	<u>(10,975)</u>	<u>(3,366)</u>	<u>(3,195)</u>
Note - actual return on plan assets			<u>(341)</u>	<u>867</u>

THE REPRESENTATIVE BODY OF THE CHURCH OF IRELAND

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

PAGE 26

14 RETIREMENT BENEFITS - CONTINUED

(e) Risks and rewards arising from the assets

At 31 December 2011 the scheme assets were invested in a diversified portfolio that consisted primarily of equity and debt securities and properties. The fair values of the scheme assets as a percentage of total scheme assets and target allocations are set out below:

	2011	2010	2009
(as a percentage of total scheme assets)	%	%	%
Equities	73	73	69
Bonds	17	14	19
Property	4	4	5
Cash	6	9	7

(f) Basis of expected rate of return on scheme assets

The fixed interest fund run by investment managers contains a mix of gilts and corporate bonds with different earnings potential. Thus a range of different assumptions has been used to estimate the expected return.

For equities and property, the long term rate of return is expected to exceed that of bonds by a margin, the "risk premium". In assessing the equity risk premium, past returns have been analysed giving a risk premium of 4.0% above the long term gilt yields, giving an assumed return of 7.9%. This is reduced to 7.3% after deduction of the pensions levy.

For property assets, the assumed rate of return is 5.4% (4.8% after deduction of the pensions levy) reflecting an expectation that property returns will not match equity returns in the future. Thus, the overall expected return on scheme assets at 31 December 2011 is 6.15% (2010: 6.88%).

(g) The principal actuarial assumptions at the balance sheet date:

	2011	2010
	%	%
Discount rate	5.00	5.40
Future salary increases	2.50	3.00
Future pension increases	2.00	2.00
Inflation rate	2.00	2.00

THE REPRESENTATIVE BODY OF THE CHURCH OF IRELAND**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED****PAGE 27****14 (g) RETIREMENT BENEFITS - CONTINUED**

Assumptions regarding future mortality are set based on advice from published statistics and experience. The average life expectancy in years for a pensioner retiring aged 65 is as follows:

	2011	2010
Male	23.0	22.8
Female	24.5	24.4

Amounts for the current and previous four years are as follows:

	2011	2010	2009	2008	2007
Present value of the defined benefit obligation (€000)	(10,975)	(10,869)	(9,113)	(9,376)	(8,755)
Fair value of plan assets (€000)	7,609	7,674	6,861	5,677	9,044
Pension (deficit)/surplus (€000)	(3,366)	(3,195)	(2,252)	(3,699)	289
Experience adjustments on plan liabilities as a percentage of scheme liabilities at the balance sheet date	6.71%	0.84%	2.8%	(15.2%)	(1.4%)
Experience adjustments on plan assets as a percentage of scheme assets at the balance sheet date	(11.55%)	5.30%	12.8%	(67.1%)	(10.2%)

15 SPECIAL PENSION CONTRIBUTIONS AND CHARGES

A special contribution of €5m was made in 2011 to support the solvency of the Church of Ireland Clergy Pensions Fund.

A special charge arose with respect to the Staff Pension Scheme, amounting to €21,000, including €171,000 being the increase in the actuarially calculated deficit under FRS17, and €350,000 of a capital injection into the fund.

THE REPRESENTATIVE BODY OF THE CHURCH OF IRELAND

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

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16 FINANCIAL INSTRUMENTS

The main risks to the Representative Church Body (RCB) relating to its holding of financial instruments are market price, foreign currency, interest rate and liquidity.

(a) Market Price Risk

Market risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the RCB might suffer through holding market positions in the face of price movements. The Investment Committee considers the asset allocation of the portfolio in order to minimise the risk associated with particular countries or industry sectors whilst continuing to follow the RCB's investment objective. Derivative instruments to hedge the investment portfolio against market price risk have not been used.

(b) Foreign currency risk

A portion of the financial assets/net assets of the RCB is denominated in currencies other than Euro with the effect that the balance sheet and total return can be affected by currency movements. The RCB does not hedge against foreign currency risk.

The following sets out the RCB's total exposure to foreign currency risk.

	2011	2010
	Total	Total
Currency	€000	€000
Sterling	45,884	71,956
US Dollars	6,865	13
Swiss Francs	4,009	4,097
Australian Dollar	1,235	-
Norwegian Krones	1,146	935
Swedish Krones	1,117	49
Brazilian Real	850	-
Danish Krones	741	1,759
Total of eleven other currencies	3,025	361
	<u>64,872</u>	<u>79,170</u>

The rates of exchange used at 31 December 2011 for significant currency exposures.

Sterling	0.8353
US Dollars	1.2980
Swiss Francs	1.2140
Australian Dollar	1.2723
Norwegian Krones	7.7470
Swedish Krones	8.8990
Brazilian Real	2.4159
Danish Krones	7.4320

THE REPRESENTATIVE BODY OF THE CHURCH OF IRELAND

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

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16 FINANCIAL INSTRUMENTS (Contd)

(c) Interest Rate Risk

The RCB has interest bearing assets but does not have interest bearing liabilities. The financial assets of the RCB consist predominantly of equity shares and other investments which neither pay interest nor have a maturity date.

The interest profile of the RCB's interest bearing financial assets at 31 December 2011 was:

	2011		2010	
	Total interest bearing €000	Interest bearing at fixed rate €000	Total interest bearing €000	Interest bearing at fixed rate €000
Sterling	24,046	18,761	-	-
Euro	26,386	26,386	30,102	30,102
Total	50,432	45,147	30,102	30,102

Fixed interest rate financial assets

	2011		2010	
	Weighted average interest rate	Weighted average for which rate is fixed	Weighted average interest rate	Weighted average for which rate is fixed
Sterling	6.41	13.84	-	-
Euro	5.50	6.95	5.77	7.40

(d) Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The RCB invests the majority of its assets in investments that are traded in an active market and can be readily disposed of.

THE REPRESENTATIVE BODY OF THE CHURCH OF IRELAND
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED **PAGE 30**

16 FINANCIAL INSTRUMENTS (Contd)

(e) Credit Risk

The RCB will be exposed to a credit risk in relation to parties with whom it trades and will bear the risk of settlement default. The RCB minimises concentrations of credit risk by undertaking transactions with a number of brokers and counterparties on recognised and reputable exchanges.

(f) Fair values of financial assets and financial liabilities

All of the financial assets of the RCB are shown at fair value.

(g) Gains and losses on financial assets and financial liabilities held or issued for

The net gains/(losses) from trading in financial assets are shown in the statement of total return.