

THE REPRESENTATIVE BODY OF THE CHURCH OF IRELAND

FINANCIAL STATEMENTS – PAGE 1

YEAR ENDED 31 DECEMBER 2012

THE REPRESENTATIVE BODY OF THE CHURCH OF IRELAND
FINANCIAL STATEMENTS 2012 **PAGE 2**

CONTENTS

	PAGE
EXECUTIVE COMMITTEE AND OTHER INFORMATION	3
EXECUTIVE COMMITTEE REPORT	4
REPORT OF THE INDEPENDENT AUDITORS	5-6
ACCOUNTING POLICIES	7-10
STATEMENT OF FINANCIAL ACTIVITIES	11
BALANCE SHEET	12
CASH FLOW STATEMENT	13
NOTES TO THE FINANCIAL STATEMENTS	14-28

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
- Canon GC Richards (Allocations Committee)
- Mr HJ Saville (Investment Committee) (Deputy Chairman)
- Mr RH Kay (Property Committee)
- Mr W Oliver (Stipends Committee)

MEMBERS (elected)

- Rt Rev WP Colton
- Rev AJ Forster
- Very Rev JO Mann
- 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 TA Clements
- Ms K Williams
- Mr TJ Stacey
- Mrs JM Maxwell
- Mr R Asher
- Mr M McWha

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

The stated financial objective of the Representative Church Body (RCB) is to manage the investment portfolio to optimise return for present and future generations of the Church. The collapse of financial markets in 2008 damaged the value and resource generation capability of General Funds and the rebuilding of asset value is a medium term objective. In the short term, the aim is to bring withdrawal and expenditure levels within the capacity of General Funds to support.

A real return of 4% on portfolio value over the long term is seen to be sustainable, of which 0.5% would be applied to rebuilding asset value, and thus the target withdrawal level for the long term is 3.5% of asset value. To smooth the transition towards the long term, withdrawal from year to year is based 80% on the previous year's withdrawal level. Before special contributions to the Clergy Pensions Fund and the Staff Pension Scheme, the withdrawal level for 2012 was €0.7m more than allowable against this short term measure. The RCB continues to work to bring sustainable return and expenditure back into balance.

Asset values performed well in the year, assisted by the Funds being well positioned to take advantage of volatile bond markets, and offset by a third €5m injection of capital into the Clergy Pensions Fund, making €15m of special contributions in the last three years.

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
12 March 2013



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 2012 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement, the Accounting Policies and the related notes. The financial statements have been prepared in accordance with the Basis of Preparation note on pages 7 to 8 and the accounting policies set out in the statement of accounting policies on pages 7 to 10.

Respective responsibilities of the trustee and auditors

As explained more fully in the Statement of Trustee's Responsibilities set out on page 4, the Representative Body, as Trustee, is responsible for the preparation of the financial statements in accordance with the accounting policies of the Representative Body. Our responsibility is to audit and express an opinion on the financial statements in accordance with International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

Scope of the audit of the financial statements

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 Representative Body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trustee; and the overall presentation of the financial statements. In addition, we read the Executive Committee Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



INDEPENDENT AUDITORS' REPORT TO THE REPRESENTATIVE BODY OF THE CHURCH OF IRELAND - continued

Opinion on financial statements

In our opinion, the financial statements:

- have been prepared in accordance with the Basis of Preparation note and the accounting policies on pages 7 to 10; and
- present the state of the Representative Body's affairs as at 31 December 2012 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 Registered Auditors
Dublin

14 March 2013

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 11 and the Balance Sheet on page 12.

• **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 7.

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 (including investments and options) 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, including stock options. 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 11.

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.

THE REPRESENTATIVE BODY OF THE CHURCH OF IRELAND

ACCOUNTING POLICIES

PAGE 9

- (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 11. Sterling is the most significant currency other than euro for transactional and balance sheet purposes, and at the year end the rate was €1 = £0.8161 (2011 €1 = £0.8353).

- (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 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 14 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%.

Church buildings and silverware are not considered to be beneficially owned by either the Representative Church Body or General Funds, and hence are not included as either Tangible Fixed Assets or as Heritage Assets.

- (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 2013, 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. 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.

The cost of charitable activities comprises those payroll and associated allocated overheads ascribed to trust and property management, communications, education and the RCB Library.

The cost of governance activities relates 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 2012**

PAGE 11

	2012		2011	
Notes	RCB activities €'000	General Funds €'000	RCB activities €'000	General Funds €'000
		Parish, Diocesan and Other Trust Funds €'000		Parish, Diocesan and Other Trust Funds €'000
Incoming resources				
Income from investments	-	5,701	-	6,692
Income from property and loans	-	142	-	168
Deposit Interest	-	263	-	244
Tax refund Gift Aid	-	-	-	-
Sundries	-	166	-	170
Subvention from Stipends, Royalties and Central Church Funds	-	230	-	197
	-	6,502	-	7,471
		10,679		10,497
Resources expended				
Costs of operations				
Cost of generating funds	5	1,717	1,621	-
Cost of charitable activities	5	800	840	-
Cost of governance activities	5	400	397	-
Other resources expended	6	320	356	-
RCB costs recovered	5,6	(3,237)	(3,214)	2,679
	-	2,685	-	2,679
		552		535
		552		535

Net incoming resources before allocations and distributions	-	3,817	10,127	-	4,792	9,962
Allocations and distributions						
- Allocation to Church activities expended in year	7	4,485	-	-	4,198	-
- Special pension contributions and charges	13	5,000	-	-	5,000	-
- Distributions		-	10,127	-	-	9,962
		9,485	10,127	-	9,198	9,962
(Decrease) in resources before gains and losses		(5,668)	-	-	(4,406)	-
Recognised gains and (losses)						
Gains /(losses) unrealised on revaluation	4,8	12,617	27,844	-	(11,612)	(6,905)
Gains /(losses) realised on invested assets	4,8	5,859	77	-	2,595	(68)
Currency movements	4,8	1,372	1,159	-	1,906	1,541
Other recognised (losses)/gains	4	(2,072)	-	(521)	28	-
Transfers between funds	13	2,072	-	521	(521)	-
Net gain /(loss) in funds		12,173	29,080	-	(12,010)	(5,432)
Total funds brought forward		140,505	208,354	-	152,515	215,785
Capital withdrawals	8c	-	(2,457)	-	-	(1,999)
Total funds carried forward		152,678	234,977	-	140,505	208,354

Signed: RS Neill

HJ Saville

Date: 12 March 2013

THE REPRESENTATIVE BODY OF THE CHURCH OF IRELAND

BALANCE SHEET

31 DECEMBER 2012

PAGE 12

	Notes	2012		2011	
		RCB €'000	General Funds €'000	RCB €'000	General Funds €'000
					Parish, Diocesan and Other Trust Funds €'000
TANGIBLE FIXED ASSETS	1	4,596	-	4,667	-
INVESTMENTS					
Loans		-	1,491	-	1,466
Invested fund assets	2,3	-	145,897	-	130,925
		4,596	147,388	4,667	132,391
			201,476		173,279
			201,476		173,279
CURRENT ASSETS					
Debtors		344	1,164	328	1,502
Cash on short term deposit	11	-	4,191	-	5,247
Bank balances	11	883	-	532	-
		1,227	5,355	860	6,749
			33,501		35,075
CURRENT LIABILITIES					
Creditors		760	40	789	7
		760	40	789	7
NET CURRENT ASSETS		467	5,315	71	6,742
			33,501		35,075

LONG TERM (LIABILITY)								
Staff pension scheme (deficit)	12	(5,088)	-	-	-	(3,366)	-	-
BALANCE WITH GENERAL FUNDS		<u>25</u>	<u>(25)</u>	<u>-</u>	<u>-</u>	<u>(1,372)</u>	<u>1,372</u>	<u>-</u>
TOTAL NET ASSETS		<u>-</u>	<u>152,678</u>	<u>234,977</u>	<u>234,977</u>	<u>-</u>	<u>140,505</u>	<u>208,354</u>
FUNDS EMPLOYED	4,8c	<u>-</u>	<u>152,678</u>	<u>234,977</u>	<u>234,977</u>	<u>-</u>	<u>140,505</u>	<u>208,354</u>

Signed: RS Neill
HJ Saville
Date: 12 March 2013

**THE REPRESENTATIVE BODY OF THE CHURCH OF IRELAND
CASH FLOW STATEMENT**

YEAR ENDED 31 DECEMBER 2012

PAGE 13

	Notes	2012		2011		
		RCB €'000	General Funds €'000	RCB €'000	General Funds €'000	Parish, Diocesan and Other Trust Funds €'000
NET INCOMING RESOURCES BEFORE ALLOCATIONS AND DISTRIBUTIONS	9	516	3,863	721	3,639	9,962
ALLOCATIONS AND DISTRIBUTIONS						
Allocations expended and distributions		-	(4,485)	-	(4,198)	(9,962)
Special pension contributions and other charges		-	(5,305)	-	(5,350)	59
		516	(5,927)	721	(5,909)	59
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENTS						
Purchase of investments		-	(94,109)	-	(95,380)	(2,059)
Sale of investments including currency movements		-	107,789	-	100,994	1,167
Gains and losses including currency movements		-	6,046	-	2,366	1,071
Advances of glebe, miscellaneous and car loans		-	(364)	-	(259)	-

Repayment of glebe, miscellaneous and car loans	1	-	342	-	-
Purchase of fixed assets		(165)			249
					(59)
NET CASH FLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENTS		(165)	19,704	1,622	7,970
FINANCING					
Net cash (outflow) for specific trusts		-	-	(3,196)	-
NET CASH FLOW FROM FINANCING		-	-	(3,196)	(2,884)
INCREASE/(DECREASE) IN CASH	10	351	13,777	(1,529)	2,061
					(2,646)

Signed: RS Neill
HJ Saville

Date: 12 March 2013

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

1 TANGIBLE FIXED ASSETS

	Premises	Furniture and fittings	Office equipment	Total
	€000	€000	€000	€000
<u>Cost</u>				
At beginning of year	5,094	488	1,424	7,006
Additions	-	12	146	158
Disposals	-	-	-	-
Currency adjustment	5	-	2	7
At end of year	<u>5,099</u>	<u>500</u>	<u>1,572</u>	<u>7,171</u>
<u>Depreciation</u>				
At beginning of year	823	374	1,142	2,339
Charge for year	113	20	101	234
Disposals	-	-	-	-
Currency adjustment	1	-	1	2
At end of year	<u>937</u>	<u>394</u>	<u>1,244</u>	<u>2,575</u>
<u>Net book value</u>				
At beginning of year	<u>4,271</u>	<u>114</u>	<u>282</u>	<u>4,667</u>
At end of year	<u>4,162</u>	<u>106</u>	<u>328</u>	<u>4,596</u>

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

2 GENERAL FUNDS – ANALYSIS OF FUND ASSETS

	2012 €000	2011 €000
<u>Investments at valuation</u>		
Ireland		
Government bonds	7,670	4,426
Corporate bonds	15,027	1,676
Equities - financial & commercial	2,086	6,105
Unit trusts	146	688
United Kingdom		
Bonds	18,145	14,478
Equities	26,227	24,789
Europe		
Bonds	2,088	27,829
Equities	40,533	33,592
North America		
Equities	10,012	5,181
Rest of the world		
Bonds	-	3,173
Equities	6,112	5,970
	<u>128,046</u>	<u>127,907</u>
<u>Other assets</u>		
Cash	17,851	3,018
	<u>145,897</u>	<u>130,925</u>
3 PARISH, DIOCESAN AND OTHER TRUST FUNDS		
	2012 €000	2011 €000
RB General Unit Trusts	200,711	172,559
Cash	765	720
	<u>201,476</u>	<u>173,279</u>

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

PAGE 16

4 FUNDS EMPLOYED

	Balance at 1.1.12 €'000	Net before gains and losses €'000	Currency translation movements €'000	Pension & Reserve movements €'000	Recognised gains/ (losses) €'000	Profit on investment sales €'000	Revaluation movements €'000	Balance at 31.12.12 €'000
Capital invested	133,931	-	1,311	(5,350)	-	6,357	11,664	147,913
Unrealised surplus on revaluation of property	367	-	-	-	-	-	-	367
Invested assets	134,298	-	1,311	(5,350)	-	6,357	11,664	148,280
Less - Staff pension deficit	(3,366)	-	-	350	(2,072)	-	-	(5,088)
Net capital invested	130,932	-	1,311	(5,000)	(2,072)	6,357	11,664	143,192
Designated reserves								
Allocations provision for following year (Note 7)	4,595	-	-	(256)	-	-	-	4,339
Allocations equalisation reserve	4,231	(5,668)	61	5,254	-	(498)	953	4,333
Staff pensions reserve	93	-	-	2	-	-	-	95
Sundry designated reserves	654	-	-	-	65	-	-	719
	140,505	(5,668)	1,372	-	(2,007)	5,859	12,617	152,678

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.

THE REPRESENTATIVE BODY OF THE CHURCH OF IRELAND**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED****PAGE 17**

5 COSTS OF OPERATIONS	2012 €000	2011 €000
Cost of generating funds		
Payroll and related costs	1,306	1,354
Less - payroll costs recharged	(214)	(246)
	<u>1,092</u>	<u>1,108</u>
External managers	332	222
Office supplies, repairs and taxes	171	165
Depreciation	122	126
	<u>1,717</u>	<u>1,621</u>
Cost of charitable activities		
Payroll and related costs	627	668
Less - payroll costs recharged	(224)	(228)
	<u>403</u>	<u>440</u>
Office supplies, repairs and taxes	107	104
Depreciation	77	79
RCB Library	213	217
	<u>800</u>	<u>840</u>
Cost of governance activities		
Payroll and related costs	312	316
Less - payroll costs recharged	(187)	(190)
	<u>125</u>	<u>126</u>
Office supplies, repairs and taxes	49	47
Depreciation	35	36
Audit fees	74	80
Central committee expenses	117	101
Episcopal electors expenses	-	7
	<u>400</u>	<u>397</u>
Total cost of operations	<u>2,917</u>	<u>2,858</u>

RCB costs of operations arising are recovered as appropriate from General Funds and Parish, Diocesan and Other 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****PAGE 18**

6 OTHER RESOURCES EXPENDED

	2012 €000	2011 €000
Professional costs	196	179
Pensions for retired staff	124	124
Reorganisation costs	-	53
	<u>320</u>	<u>356</u>

7 ALLOCATIONS

	2013 €000	2012 €000	2011 €000
(a) Reserve for following year			
Maintenance of the stipendiary ministry	1,494	1,449	1,275
Retired clergy and surviving spouses	499	783	943
Training of ordinands	1,398	1,431	1,212
General Synod activities	943	962	960
Miscellaneous financing	5	5	1
Reserve for following year (see Note 4)	<u>4,339</u>	<u>4,630</u>	<u>4,391</u>

	2012 €000	2011 €000
(b) Expended in year		
Reserve released	4,630	4,391
Less - allocations unexpended	145	193
	<u>4,485</u>	<u>4,198</u>

The 2013 provision for Allocations, shown in designated reserves in Note 4, is the gross amount committed by General Funds to be expended on wider Church activities in 2013. The value of subventions in 2012 was €230,000 (2011 - €197,000) and is shown in incoming resources.

THE REPRESENTATIVE BODY OF THE CHURCH OF IRELAND**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED****PAGE 19**

8 PARISH, DIOCESAN AND OTHER TRUST FUNDS

	Balance at 1.1.12 €000	Currency translation movements €000	Capital changes/ movements €000	Profit/ (loss) on sales €000	Revaluation movements €000	Balance at 31.12.12 €000
(a) INVESTED CAPITAL						
Parish trusts and glebe sales	113,973	697	(1,920)	(130)	16,483	129,103
Diocesan stipend and general funds	21,142	173	(198)	(35)	3,278	24,360
Diocesan miscellaneous trusts	8,464	48	8	-	1,372	9,892
Diocesan episcopal funds	4,257	34	(651)	231	400	4,271
Less: diocesan car loans	(430)	(4)	(16)	-	-	(450)
	<u>147,406</u>	<u>948</u>	<u>(2,777)</u>	<u>66</u>	<u>21,533</u>	<u>167,176</u>
Sundry trusts	40,718	155	(515)	11	4,699	45,068
General Synod funds	7,825	36	(18)	-	1,242	9,085
Trusts for retired clergy and spouses	3,149	20	237	-	370	3,776
	<u>199,098</u>	<u>1,159</u>	<u>(3,073)</u>	<u>77</u>	<u>27,844</u>	<u>225,105</u>

THE REPRESENTATIVE BODY OF THE CHURCH OF IRELAND**NOTES TO THE FINANCIAL STATEMENTS****PAGE 20**

8 PARISH, DIOCESAN AND OTHER TRUST FUNDS (continued)

(b) PARISH, DIOCESAN AND OTHER FUNDS RESERVES

	2012 €000	2011 €000
Designated		
Diocesan stipend & general funds	6,599	6,079
Parish endowments	169	31
Miscellaneous diocesan trusts	318	373
General Synod trusts	57	222
Other trust funds	1,407	1,549
Clergy pensions & related funds	251	223
Trust creditors	354	250
	<u>9,155</u>	<u>8,727</u>
Undesignated		
Auxiliary and Sundry Projects Funds	<u>717</u>	<u>529</u>
Summary - reserves		
Designated	9,155	8,727
Undesignated	<u>717</u>	<u>529</u>
	<u>9,872</u>	<u>9,256</u>

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

	2012 €000	2011 €000
Capital funds invested	225,105	199,098
Designated and undesignated reserves	<u>9,872</u>	<u>9,256</u>
	<u>234,977</u>	<u>208,354</u>
Net withdrawals		
Capital realised (8a)	(3,073)	(3,165)
Movement in reserves (8b)	<u>616</u>	<u>1,166</u>
	<u>(2,457)</u>	<u>(1,999)</u>

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

PAGE 21

9 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:

	2012			2011			
	Notes	RCB €'000	General Funds €'000	Parish, Diocesan and Other Trust Funds €'000	RCB €'000	General Funds €'000	Parish, Diocesan and Other Trust Funds €'000
Net incoming resources before allocations and distributions		-	3,817	10,128	-	4,792	9,962
Other recognised losses		325	(325)	-	227	(227)	-
Change in other debtors		(16)	338	-	73	(706)	-
Change in creditors		(29)	33	-	177	(220)	-
Net amortisation of fixed assets	1	236	-	-	244	-	-
Net cash inflow		516	3,863	10,128	721	3,639	9,962
10 ANALYSIS OF CHANGES IN CASH DURING THE YEAR							
Net cash inflow/(outflow)		351	13,661	(1,800)	662	1,964	(3,040)
Effect of foreign exchange rate changes		-	116	271	-	97	394
Increase/(decrease) in cash		351	13,777	(1,529)	662	2,061	(2,646)

Balance at 1 January	532	8,265	35,795	(130)	6,204	38,441
Balance at 31 December	11	883	22,042	532	8,265	35,795
11 ANALYSIS OF CASH BALANCES						
Cash on short term deposit	-	4,191	33,492	-	5,247	35,062
Due from bankers	883	-	9	532	-	13
Cash held by investment managers	-	17,851	765	-	3,018	720
	10	883	22,042	532	8,265	35,795

Cash held for Unit Trusts and related entities has been excluded, which is consistent with prior year treatment.

THE REPRESENTATIVE BODY OF THE CHURCH OF IRELAND**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED****PAGE 22**

12 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 2012 under FRS17 (and comparatives for 31 December 2011) show that the fair value of the assets of the scheme to be €8.727 (€7.609m), and that this represents 63% of the value of benefits that had accrued to members as at that date. The fair value of assets have improved by €1.1m (14.69%) during the year and the actual return on the plan assets was €0.91m during the year. The present value of scheme liabilities as calculated by the actuary under FRS17 has increased from €10.97m to €13.82m in 2012. 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 3.9% (5.0%).

The actuarial calculation of the amounts to be recognised in the Statement of Financial Activities is shown in Note 12c 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:

	2012	2011
	€000	€000
Present value of funded obligations	(13,815)	(10,975)
Fair value of plan assets	8,727	7,609
Pension Liability in the balance sheet	<u>(5,088)</u>	<u>(3,366)</u>

THE REPRESENTATIVE BODY OF THE CHURCH OF IRELAND**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED****PAGE 23**

12 RETIREMENT BENEFITS - CONTINUED

(c) **The amounts recognised in the Statement of Financial Activities are:**

	2012 €000	2011 €000
Interest cost	549	590
Expected return on plan assets	(475)	(537)
Net finance expense	74	53
Current service cost - included in costs of operations	174	202
	<u>248</u>	<u>255</u>
Actuarial gains/(losses)	2012 €000	2011 €000
Actual less expected return on scheme assets	439	(878)
Experience gains/(losses) on liabilities	(20)	737
Change in assumptions underlying the present value of the scheme liabilities	(2,451)	(379)
	<u>(2,032)</u>	<u>(520)</u>

The cumulative actuarial loss recognised up to and including the financial year ended 31 December 2012 is €6.253m.

	Pension Assets €000	Pension Liabilities €000	2012 Pension Deficit €000	2011 Pension Deficit €000
(d) Movement in Scheme Assets and Liabilities				
At 31 December 2011	7,609	(10,975)	(3,366)	(3,195)
Current Service Cost	-	(174)	(174)	(202)
Interest on scheme liabilities	-	(549)	(549)	(590)
Expected return on scheme assets	475	-	475	537
Actual less expected return on scheme assets	439	-	439	(878)
Experience gains on liabilities	-	(20)	(20)	737
Changes in assumptions	-	(2,451)	(2,451)	(379)
Benefits paid	(383)	383	-	-
Premiums paid	(33)	33	-	-
Contributions by plan participants	62	(62)	-	-
Employer contributions paid	558	-	558	604
At 31 December 2012	<u>8,727</u>	<u>(13,815)</u>	<u>(5,088)</u>	<u>(3,366)</u>
Note - actual return on plan assets			(914)	(341)

THE REPRESENTATIVE BODY OF THE CHURCH OF IRELAND**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED****PAGE 24**

12 RETIREMENT BENEFITS - CONTINUED

(e) Risks and rewards arising from the assets

At 31 December 2012 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:

	2012	2011	2010
(as a percentage of total scheme assets)	%	%	%
Equities	75	73	73
Bonds	17	17	14
Property	4	4	4
Cash	4	6	9

(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 6.7%. This is reduced to 6.1% after deduction of the pensions levy.

For property assets, the assumed rate of return is 4.2% (3.6% 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 2012 is 5.12% (2011: 6.15%).

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

	2012	2011
	%	%
Discount rate	3.90	5.00
Future salary increases	2.50	2.50
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 25**

12 (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:

	2012	2011
Male	23.2	23.0
Female	24.5	24.5

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

	2012	2011	2010	2009	2008
Present value of the defined benefit obligation (€000)	(13,815)	(10,975)	(10,869)	(9,113)	(9,376)
Fair value of plan assets (€000)	8,727	7,609	7,674	6,861	5,677
Pension (deficit)/surplus (€000)	(5,088)	(3,366)	(3,195)	(2,252)	(3,699)
Experience adjustments on plan liabilities as a percentage of scheme liabilities at the balance sheet date	0.0%	6.71%	0.84%	2.8%	(15.2%)
Experience adjustments on plan assets as a percentage of scheme assets at the balance sheet date	5.0%	(11.55%)	5.3%	12.8%	(67.1%)

13 SPECIAL PENSION CONTRIBUTIONS AND CHARGES

A special contribution of €5m was made in 2012 to support the solvency of the Church of Ireland Clergy Pensions Fund.

The movement in the Staff Pension Scheme, amounting to €2.072m, includes €0.35m of a capital injection into the fund and €1.722m being the increase in the actuarially calculated deficit under FRS17.

THE REPRESENTATIVE BODY OF THE CHURCH OF IRELAND**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED****PAGE 26**

14 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, liquidity and credit risk.

(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.

(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.

Currency	2012 Total €000	2011 Total €000
Sterling	51,412	45,884
US Dollars	10,153	6,865
Swiss Francs	5,284	4,009
Swedish Kroner	3,570	1,117
Norwegian Kroner	2,240	1,146
Hong Kong Dollars	1,348	-
Turkish Lira	891	-
Total of other currencies	5,342	5,851
	<u>80,240</u>	<u>64,872</u>

The rates of exchange used at 31 December 2012 for significant currency exposures.

Sterling	0.8161
US Dollars	1.3180
Swiss Francs	1.2070
Swedish Kroner	8.5770
Norwegian Kroner	7.3370
Hong Kong Dollars	10.2260
Turkish Lira	2.3551

THE REPRESENTATIVE BODY OF THE CHURCH OF IRELAND**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED****PAGE 27**

14 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.

The interest profile of the RCB's interest bearing financial assets at 31 December 2012 was:

	2012		2011	
	Total interest bearing €000	Interest bearing at fixed rate €000	Total interest bearing €000	Interest bearing at fixed rate €000
Sterling	14,303	14,303	24,046	18,761
Euro	28,625	20,697	26,386	26,386
Total	42,928	35,000	50,432	45,147

Fixed interest rate financial assets

	2012		2011	
	Weighted average interest rate %	Weighted average period for which rate is fixed (years)	Weighted average interest rate %	Weighted average period for which rate is fixed (years)
Sterling	8.89	14.58	6.41	13.84
Euro	5.25	5.24	5.50	6.95

(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.

14 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.