THE CHURCH OF IRELAND CLERGY PENSIONS FUND

FINANCIAL STATEMENTS – PAGE 1

YEAR ENDED 31 DECEMBER 2010

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TRUSTEE AND ADVISORS AND OTHER INFORMATION **PAGE 3**

Trustee
The Representative Church Body
Church of Ireland House
Church Avenue
Rathmines
Dublin 6

Actuary
Mercer Actuarial Services
Charlotte House
Charlemont Street
Dublin 2

Auditors
PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Spencer Dock
Dublin 1

Investment Managers
Irish Life Investment Managers
Beresford Court
Dublin 1

Sponsoring Employers
The Representative Church Body
Church of Ireland House
Church Avenue
Rathmines
Dublin 6

Solicitors
Mark McWha
Senior Solicitor
The Representative Church Body

Introduction

The Trustee presents the annual report on the performance of the assets of the Clergy Pensions Fund for the year ended 31 December 2010 and cash additions and withdrawals for the year.

Constitution of the Fund

The Clergy Pensions Fund, which is a defined benefit scheme, is established under Chapter XIV of the Constitution of the Church of Ireland as amended from time to time by the General Synod. The Representative Church Body acted as Trustee of the Fund effective to 31 December 2010. The Fund is administered by the Church of Ireland Pensions Board in accordance with the provisions of Chapter XIV.

The latest revision of Chapter XIV which was carried out in 2010 has brought this Chapter into line with current Pensions legislation. The Bill gave approval for the Representative Church Body to establish a specialist company to act as trustee of the fund and the Representative Body is the sole member of this new Trustee Company. The Trustee Company assumes full responsibility as from 1 January 2011.

The Fund has been approved by the Revenue Commissioners as a retirement benefits scheme under Part 30, Chapter I of the Taxes Consolidation Act, 1997, and is treated as an "exempt approved scheme" for the purposes of that Act. In addition, the Fund, exclusive of the part relating to the Republic of Ireland, has been approved by the Board of the Inland Revenue of the United Kingdom as a retirement benefits scheme for the purposes of Chapter I, Part XIV, Income and Corporation Taxes Act 1988 and is treated as an "exempt approved scheme" for the purposes of Section 592 of that Act.

The Financial Statements are expressed in euro currency for balance sheet reporting purposes. The Fund is maintained in separate sub divisions by jurisdiction.

Management of the Fund

The Representative Church Body is the Trustee of the Clergy Pensions Fund for the relevant reporting period. The Representative Church Body is a trust corporation with perpetual succession. The Trustee is appointed by the General Synod of the Church of Ireland.

No costs or expenses were incurred by the Fund in respect of Trustee training during the year.

Summary Performance of Fund Assets

The Financial Statements record only the performance of the Fund Assets and net cash additions or withdrawals. Actuarial calculations of the liability for future benefits do not form part of these accounts.

THE CHURCH OF IRELAND CLERGY PENSIONS FUND
TRUSTEE'S REPORT
FINANCIAL STATEMENTS

The financial development of the Fund over the year 2010 was as follows:

	€'000
Contributions and other receipts	5,221
Special Capital receipt	5,000
Benefits paid and other expenses	(7,041)
Net Surplus	3,180
Investment return for year	10,648
Value of Fund at 31 December 2009	93,989
Value of fund at 31 December 2010	107,817

The Representative Body, as Trustee of the Fund, is responsible for investment policy and meetings are held with the Investment Manager to review strategy and performance on a regular basis. The external Investment Manager is remunerated on a fee basis calculated by reference to asset values and in accordance with formal fund management agreement between the Manager and the Trustee. Management fees and attributed costs of administration are charged to the Fund by the Trustee.

The investment objectives are to maximise total returns through diversified portfolios of equity, fixed interest, property and cash investments having regard to liability restraints, cash flow, interest rate and currency movements. The Trustee reviews investment objectives to ensure that these are appropriate to the profile of the Clergy Pensions Fund.

Actuarial Valuation

The Actuary's Certificate is included in the annual report of the Clergy Pensions Board. The certificate states that, at 31 December 2010, the Clergy Pension Fund did not satisfy the statutory Minimum Funding Standard under Section 44 of the Pensions Act.

As a result, the Trustee is required to submit a Funding Proposal to the Irish Pensions Board to eliminate the deficit under the statutory Minimum Funding Standard over a time period to be agreed with the Board.

Investment Management

The management of the Fund's assets is currently delegated by the Trustee to Irish Life Investment Managers.

Signed on behalf of the Trustee: *S Gamble*
DG Perrin
Date: 8 March 2011

Statement of Trustee's Responsibilities

The Representative Body is Trustee of the Church of Ireland Clergy Pensions Fund.

The financial statements are the responsibility of the Trustee. Irish pension legislation requires the Trustee to make available for each scheme year the annual report of the scheme, including audited financial statements and the report of the auditor. The financial statements are required to show a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the financial transactions for the scheme year and the asset and liabilities (other than liabilities to pay benefits in the future) at the end of the scheme year and include a statement whether the financial statements have been prepared in accordance with Statement of Recommended Practice - Financial Reports of Pension Schemes (revised May 2007) (SORP), subject to any material departures disclosed and explained in the financial statements.

Accordingly, the Trustee must ensure that in the preparation of the scheme financial statements:

- suitable accounting policies are selected and then applied consistently;
- reasonable and prudent judgements and estimates are made; and
- the SORP is followed, or particulars of any material departures are disclosed and explained.

The Trustee is required by law to have appropriate procedures in place throughout the year under review, to ensure that:

- contributions payable during the Plan year are received by the Trustee in accordance with the timetable set out in section 58A of the Act where applicable to the contributions and otherwise within 30 days of the end of the scheme year; and
- contributions payable are paid in accordance with the rules of the Plan and the recommendation of the actuary.

The Trustee is responsible for ensuring that proper membership and financial records are kept on a timely basis sufficient to enable an Annual Report to be prepared for the scheme containing the information specified in regulation 7 of the Occupational Pension Schemes (Disclosure of Information) Regulations 2006, including financial statements which show a true and fair view of the financial transactions of the Plan in the year under review and of the assets and liabilities at the year end, other than liabilities for pensions and other benefits payable after the year end. It is also responsible for safeguarding the assets of the pension scheme and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities, including the maintenance of an appropriate system of internal control.

Signed on behalf of the Trustee: *S Gamble*
DG Perrin
Date: 8 March 2011

Review of 2010

2010 was a year of sharp contrasts for investors. Fears of a double dip recession in the developed world contrasted the strong growth in emerging economies: concerns over government and consumer indebtedness compared to improving corporate balance sheets; record low Triple A bond yields contrasted with record high yields in the periphery. Finally the fiscal austerity measures adopted across Europe compared to the unprecedented government and central bank stimulus put in place in the US.

Equity market returns were supported by earnings growth. Company profitability in 2010 far exceeded analysts' expectations. In January 2010 analysts forecast a 26% improvement in S&P earnings, by December expectations had increased to 42% growth. The improvement was driven by cost cutting and strong demand, for those with exposure to emerging markets. Such factors have offset the sluggish low single digit revenue growth experienced in developed economies.

The sovereign debt crisis emerged in January 2010 when it became evident that the fiscal situation in Greece was unsustainable. This crisis led to a reconsideration of safe assets, as the risk of default began to be priced into government bonds. This re-rating of safety is likely to continue in 2011 as rating agencies signal further country downgrades. There were even rumblings that the "ultimate safe haven" – US Government Bonds could be put on review for a potential downgrade. The concern remains that as the number of "risky" countries increases the potential bailouts become less feasible. On the other hand, the credit risk attached to companies eased, as balance sheets improved and as companies became more mobile and more able to gain exposure to countries with more robust growth. As a result the spread between government bonds and corporate bonds declined through 2010 with corporate bonds outperforming conventional government bonds.

Economic data weighed on markets during the year. However, measures to buy back government bonds, to extend tax cuts and to provide additional stimulus to business boosted markets in the fourth quarter. This additional stimulus has boosted the outlook for the US economy in 2011 but also raised concerns regarding the sustainability of the US budget deficit.

Emerging economies continued to improve in 2010 and investors sought to gain exposure to companies, government bonds and the currencies of these regions. The continued expansion of the middle classes is expected to drive growth over the next few years. However, concerns about regional over-heating continue to rise.

Investment Outlook

The global economic growth outlook has drifted higher for 2011 with strong growth in emerging markets offsetting the tepid developed world recovery. The US final quarter stimulus has resulted in forecasts for US economic growth for 2011 rising by more than 0.5%. Elsewhere the recoveries in Germany and Japan have also been much stronger than expected, although expectations are that growth will ease in these regions in 2011 and 2012.

Equity markets moved out of the trading range that had been maintained during the first three quarters of 2010, helped by US stimulus measures and improved German economic data. Earnings news continues to be supportive. As a result the fundamentals have improved for equity markets. In the short term, however, the recent rally leaves equities looking overbought.

Corporate earnings are expected to grow by a further 13% in 2011. Improvements to this number will be harder to come by in 2011 as further cost-cutting becomes harder to achieve. This earnings growth expectation may in fact drift back to single digit revenue growth numbers. The recent rise in input costs could also lead to some margin pressure as the ability to pass these cost increases on to the consumer becomes more limited.

Valuations remain undemanding with PE multiples well below their historic average levels. Nevertheless valuations are rarely a catalyst to move markets higher, but are a better guide for investors with a longer term horizon. The dividend yield offered by equities is now as attractive as the yield on ten year government bonds, particularly in Triple A countries.

Sovereign concerns are unlikely to abate in 2011. In fact, they are likely to intensify early in the year as countries attempt to front load new debt issuance. Potential rating downgrades should lead to continued volatility for both bond and equity markets. Despite this, continued strong earnings, supportive valuations, and robust corporate balance sheets are likely to support markets during 2011.

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REPORT OF IRISH LIFE INVESTMENT MANAGERS 2008
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Performance

Investment management of the equity and fixed interest elements of the Clergy Pension Fund transferred to Irish Life Investment Managers with effect from 24th January 2008. Property and Venture Capital investments continue to be managed by other managers.

Equities and fixed interest bonds for both the Irish and UK funds are managed on an indexed (passive) basis replicating the performance of a particular index. Certain equities are excluded on socially responsible investing (SRI) grounds. The composite return for the equity and bonds funds for the 12 months to 31-Dec-2010 was +11.4%.

Valuation and Asset Distribution

Including property and venture capital values provided by other managers:

Valuation at 31-Dec-2010		**€000's**
ILIM Irish Fund		51,883
ILIM UK Fund		52,764
Property & Venture Capital		3,084
		€107,731
Asset Distribution at 31-Dec-2010		
Equity		
Europe	37.2%	
UK	33.3%	
US / Rest of the World	11.3%	**81.8%**
Fixed Interest		
Europe	8.2%	
UK	7.2%	**15.4%**
Property		**2.7%**
Venture Capital		**0.1%**
		100.0%

Irish Life Investment Managers
04 February 2010

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Independent Auditors' Report to the trustees of the Church of Ireland Clergy Pension Fund Pension Scheme

We have audited the financial statements on pages 12 to 21. These financial statements have been prepared under the accounting policies set out in the statement of accounting policies on page 12.

Respective responsibilities of trustee and auditors
As described in the statement of trustee's responsibilities on page 6, the trustee is responsible for making available the audited financial statements prepared in accordance with applicable Irish pension law and accounting standards issued by the Accounting Standards Board and published by The Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland).

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 opinions, has been prepared for and only for the scheme's trustee as a body in accordance with Section 56 of the Pensions Act 1990 and for no other purpose. We do not, in giving this report including the 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.

We report to you our opinion as to whether the financial statements show a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the financial transactions of the scheme during the scheme year and of the amount and disposition of its assets and liabilities, other than liabilities to pay benefits in the future, and whether the financial statements contain the information specified in Schedule A to the Occupational Pension Schemes (Disclosure of Information) Regulations, 2006. We also report to you whether in our opinion the contributions payable to the scheme have been received by the trustee within 30 days of the scheme year end and, in our opinion, have been paid in accordance with the scheme rules and the recommendation of the actuary.

We read the other information contained in the annual report and consider whether it is consistent with the audited financial statements. This other information comprises only the trustee's report and the investment manager's report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of 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 or on behalf of the trustee in the preparation of the financial statements, and of whether the accounting policies are appropriate to the scheme's circumstances, consistently applied and adequately disclosed. Our work also included examination, on a test basis, of evidence relevant to the amounts of contributions payable to the scheme and the timing of those payments.

PRICEWATERHOUSECOOPERS

Independent Auditors' Report to the trustee of the of the Church of Ireland Clergy Pension Fund Pension Scheme - continued

Basis of opinion - continued

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, and that contributions have been paid in accordance with the scheme rules and the recommendation of the actuary and received within 30 days of the scheme year end. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion, the financial statements show a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the financial transactions of the scheme during the year ended 31 December 2010, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay benefits in the future, and contain the information specified in Schedule A to the Occupational Pension Schemes (Disclosure of Information) Regulations, 2006.

In our opinion the contributions payable to the scheme during the year ended 31 December 2010 have been received by the trustee within 30 days of the end of the scheme year and, in our opinion, such contributions have been paid in accordance with the scheme rules and the recommendation of the actuary.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Dublin

9 March 2011

The Representative Church Body is responsible for the maintenance and integrity of the Church of Ireland website.

Uncertainty regarding legal requirements is compounded as information published on the internet is accessible in many countries with different legal requirements relating to the preparation and dissemination of financial statements.

The maintenance and integrity of the Church of Ireland's website is the responsibility of the Representative Church Body; 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.

Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdiction.

THE CHURCH OF IRELAND CLERGY PENSIONS FUND
ACCOUNTING POLICIES

The significant accounting policies adopted by the Trustee are as follows:

(i) Basis of preparation

The financial statements have been prepared in accordance with The Occupational Pension Schemes (Disclosure of Information) Regulations, (2006), and the guidelines set out in the Statement of Recommended Practice, Financial Reports of Pensions Schemes (Revised May 2007).

(ii) Investment Income

Income on investments includes all dividends and interest receivable during the year adjusted to reflect bought and sold interest on bond transactions in the accounting period.

(iii) Investments

Invested assets are held in a unitised fund which is managed by Irish Life Investment Managers. This fund tracks a range of published equity and bond indices. The value of the units at the year end reflects the relative performance of these indices and the value of the relevant underlying stocks.

(iv) Financial Risk

The Trustee is responsible for managing financial risk arising in connection with the invested assets of the fund. This responsibility is discharged through the diversification of the investment portfolio across sectors and geographies and focus on established stocks