THE CHURCH OF IRELAND CLERGY PENSIONS FUND

FINANCIAL STATEMENTS – PAGE 1

YEAR ENDED 31 DECEMBER 2006

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CONSTITUTION OF THE FUND

The Fund 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 is the Trustee of the Fund which is administered by the Church of Ireland Pensions Board in accordance with the provisions of Chapter XIV.

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, which should be read in conjunction with the report of the Church of Ireland Pensions Board, are expressed in euro currency for balance sheet reporting purposes but the Fund is maintained in separate currency subdivisions having regard to the membership profile in the Republic of Ireland and Northern Ireland and the currencies in which the contributions and benefits are payable.

The financial development of the Fund over the year 2006 was as follows:

	€'000	€'000
Contributions and other receipts		4,614
Investment income		2,780
Benefits paid and other expenses		(7,708)
Net shortfall		(314)
Value of fund at 31 December 2005	123,924	
Currency translation adjustment	1,106	125,030
Realised/unrealised investment gains		8,604
Value of fund at 31 December 2006		133,320

The Representative Body, as Trustee of the Fund, is responsible for investment policy and meetings are held with the Investment Managers to review strategy and performance on a regular basis. The Investment Managers are remunerated on a fee basis calculated by reference to asset values and in accordance with formal fund management agreements between the managers 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.

ACTUARIAL VALUATION

The Actuary's certificate is included in the annual report of the Church of Ireland Pensions Board (page #).

The Fund was last valued at 30 September 2006. Following this valuation, in order to enable the Fund to satisfy the minimum funding standard under section 44 of the Pensions Act, 1990 (Republic of Ireland) as well as the long term funding needs of the Fund, the Actuary has recommended that the total contribution rate be increased by 1.7% to 30.6% of Minimum Approved Stipend.

Proposals will be brought to General Synod in 2007 seeking to increase contribution rates to the Fund with effect from 1 January 2008 by a total of 1.7% of Minimum Approved Stipend, divided between Fund members, parishes/dioceses and the Representative Church Body in a ratio of 0.3%, 0.9% and 0.5% respectively.

On a discontinuance basis, following the 2006 valuation the Actuary has confirmed that, although the Fund does not currently meet the statutory minimum funding standard, he is satisfied that the recommended increase in contribution rate is sufficient to ensure that the Fund could reasonably be expected to satisfy the funding standard by 30 September 2011 under the funding proposal with the Irish Pensions Board.

In line with the revised assumptions underlying the actuarial valuation, the Actuary has also recommended certain amendments to the early and late retirement factors for the Fund and these recommendations will be brought as proposals to General Synod 2008.

STATEMENT OF TRUSTEE'S RESPONSIBILITIES

The Representative Body, as Trustee, is required to make the annual report of the Fund available for each financial year, including audited accounts and the report of the Auditor. The accounts are required to show a true and fair view of the financial transactions for the financial year and the assets and liabilities (other than liabilities to pay benefits in the future) at the end of the year and include a statement whether the accounts have been prepared in accordance with Statement of Recommended Practice – Financial Reports of Pension Schemes ("SORP"), subject to any material departures disclosed and explained in the accounts. The Trustee is also responsible for ensuring that contributions are made to the Fund in accordance with the Fund rules and the recommendations of the Actuary.

In preparing these financial statements, the Trustee must ensure that:

- suitable accounting policies are selected and then applied consistently;
- reasonable and prudent judgements and estimates are made; and
- the accounts are prepared in accordance with current recommended accounting practice, or particulars of any material departures are disclosed and explained.

The Trustee is responsible for ensuring that proper membership and financial records are kept and ensuring that the financial statements comply with relevant legislation. 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.

S Gamble
Chairman, RCB Executive Committee
13 March 2007

OVERVIEW

The world's equity markets finished 2006 with a flourish, with some markets achieving record highs in the final months. The last quarter of the year saw the biggest gains of the year for many markets with European bourses leading the way among developed countries. Among the best performers in Europe for the year were Spain, Norway and Ireland. The Irish market was underpinned by sustained economic strength, which has translated into recent earnings upgrades for all of the main banks. The Spanish market was a beneficiary of merger & acquisition activity that was a feature in the Utilities sector in 2006, with Spanish companies at the centre of big proposed deals. For euro-based investors, the US and Japanese market gains were muted by a drop in respective currency values.

European markets were further underpinned by more robust economic growth than expected at the beginning of the year, and actual growth could settle at as high a level as 3%. The key to Europe's revival has been Germany, which bolstered its position as the world's largest exporter and saw business confidence levels climb to a 15-year high. Unemployment moved lower through the year as strong profits growth fuelled corporate investment. The healthy Eurozone economy appeared to comfortably absorb the five interest rate hikes in 2006, with two of those in the last quarter.

Concerns about the US economy resulted in an equity market sell-off in May and June as investors worried that rising interest rates would lead to an economic downturn. Such fears were less of a feature in the final months of the year as the Federal Reserve held rates steady. The economy has slowed since the beginning of 2006, but predictions of a more pronounced slowdown have proved to be wide of the mark. The unemployment rate at the end of the year was marginally above the recent five-year low and consumer confidence levels, while lower than earlier, remain quite strong.

The year under review has been a mixed one for global bond markets as robust levels of economic growth and building inflationary pressures pushed yields higher in the first six months. Subsequently the second half of 2006 saw markets rally amid easing inflation worries and a slowdown in the US economy.

This was another strong year for property, with the Irish market outperforming the UK as demand remained high. One feature of the past year has been the increase in Irish property owners taking advantage of strong market conditions to engage in 'sale and leaseback' deals. Such deals accounted for over one-third of all transactions by value.

Outlook

Our outlook for the global economy is one that is more upbeat in many respects than the consensus. We expect that the slowdown currently evident in the US is unlikely to evolve into anything more terminal and a US rate cut may be some months away just yet as economic conditions remain robust. The global economy is now less US-centric than it has been and even with below-trend growth in the US in 2006 and 2007, global growth is expected to be close to 5% in each year. Despite earlier concerns, inflation has been quite restrained and the low yields on government bonds reflect little in the way of fears of rising prices.

Upward growth revisions in Europe suggest that interest rates could go higher and we are now more of the view that the ECB rate may hit 4%. Emerging economies are continuing to grow strongly and consumer goods companies are seeing a sharp increase in demand as people become more affluent.

We are optimistic that equity markets can deliver another year of positive returns in 2007, although it is difficult to envisage a similar earnings out-turn as that recorded in 2006 when profit growth accelerated from an already strong pace.

Performance

Irish Fund

The fund increased in value to €68.1m during the period. Taking into account negative cash flow of (€650,000), this represents a weighted return of 11.3%

Asset Distribution

	1 January 2006	31 December 2006
Equities	75.0%	76.8%
Fixed Interest	13.4%	10.5%
Property	9.8%	10.6%
Cash	1.8%	2.1%

THE CHURCH OF IRELAND CLERGY PENSIONS FUND
REPORT OF BANK OF IRELAND ASSET MANAGEMENT 2006
FINANCIAL STATEMENTS - CONTINUED

Sterling

The fund increased in value to £43.5m during the period. Taking into account negative cash flow of (£1,650,000), this represents a weighted return of 7.0%

Asset Distribution

	1 January 2006	31 December 2006
Equities	89.4%	90.2%
Fixed Interest	9.3%	8.2%
Cash	1.3%	1.6%

Bank of Ireland Asset Management

31 January 2007

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE CHURCH OF IRELAND CLERGY PENSIONS FUND

We have audited the financial statements on pages 9 to 20. These financial statements have been prepared under the accounting policies set out in the statement of accounting policies on page 9.

Respective responsibilities of the Trustee and auditors
The responsibilities of the Representative Church Body, as Trustee, for preparing the Annual Report and the financial statements in accordance with applicable legislation and accounting standards generally accepted in Ireland are set out on page 4 in the statement of Trustee's responsibilities.

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 and members of the Church of Ireland Clergy Pensions Fund 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 give a true and fair view of the financial transactions of the Fund during the fund year and the amount and disposition of its assets and liabilities, other than liabilities to pay pension and other benefits after the end of the year, and whether the financial statements contain the information specified in Schedule A to the Occupational Pension Funds (Disclosure of Information) (No. 2) Regulations, 1998.

We also report to you whether the contributions payable to the Fund have been received by the Trustee within 30 days of the end of the Fund's year end and, in our opinion, have been paid in accordance with the Fund's Rules and the actuary's recommendation.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 judgments 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 Fund'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 Fund and the timing of those payments.

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 Fund's Rules and the recommendation of the actuary and received within 30 days of the Fund's 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 give a true and fair view of the financial transactions of the Fund during the year ended 31 December 2006, and of the amount and disposition of its assets and liabilities, other than liabilities to pay pension and other benefits after the end of the year, and contain the information specified in Schedule A to the Occupational Pension Funds (Disclosure of Information) (No. 2) Regulations, 1998.

The contributions payable to the Fund during the year ended 31 December 2006 have been received by the Trustee within 30 days of the end of the Fund's year end and, in our opinion, have been paid in accordance with the Fund's Rules and the actuary's recommendation.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Dublin
13 March 2007

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ACCOUNTING POLICIES **PAGE 9**

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 Funds (Disclosure of Information) (No. 2) Regulations, 1998, and Statement of Recommended Practice, “Financial Reports of Pensions Schemes”.

(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

Quoted investments are stated in the fund financial statements at valuation. They are valued at market prices ruling at year end and unquoted investments are stated at Trustee’s valuation. Bond valuations at year end include accrued interest from the last gale date.

(iv) Foreign Currencies

Balances and transactions denominated in foreign currencies have been translated into Euro at the rate of exchange ruling at the year end. (2006 €1 = £0.6715
2005 €1 = £0.6853).

(v) Benefits

The pension benefits are secured by contributions to a separately administered defined benefits scheme in accordance with the provisions of Chapter XIV of the Constitution of the Church of Ireland as amended from time to time by the General Synod.