THE CHURCH OF IRELAND CLERGY PENSIONS FUND

FINANCIAL STATEMENTS – PAGE 1

YEAR ENDED 31 DECEMBER 2007

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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 are expressed in euro currency for balance sheet reporting purposes but the Fund is maintained in separate currency subdivisions.

The financial development of the Fund over the year 2007 was as follows:

	€'000	€'000
Contributions and other receipts		4,728
Investment income		3,057
Benefits paid and other expenses		(7,550)
Net surplus		235
Value of fund at 31 December 2006	133,320	
Currency translation adjustment	(5,010)	128,310
Realised/unrealised investment losses		(7,266)
Value of fund at 31 December 2007		121,279

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.

Following a review in 2007 it was decided to transfer management of the assets of the Fund to Irish Life Investment Managers, and this took effect as of 24 January, 2008. (See page 22 of the Representative Church Body Report).

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 132). The Actuary's certificate confirms that, as at 31 December, 2007, the funding arrangements in place were sufficient to enable the minimum funding standard to be achieved by 30 September, 2011, in accordance with the funding plan agreed with the Irish Pensions Board. Meeting the minimum funding standard relies on an increase over the original plan in the future return on assets, expected to be on average 7.3% per annum (previously 6.0%), and this falls within the accepted guidelines of the Society of Actuaries in Ireland.

FUTURE FUNDING

A shortfall in asset performance from that assumed by the Actuary, or a significant movement in the assumptions for survival rates or the discount rate, each would impact the ability of the fund to meet the minimum funding standard by 2011 under the current funding plan. In line with the revised assumptions underlying the actuarial valuation, amendments to the early and late retirement factors and a revised normal retirement age for new members will be recommended and proposals brought to General Synod 2008.

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 Trustees. Irish pension legislation requires the trustees 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 November 2002) ("SORP"), subject to any material departures disclosed and explained in the financial statements.

Accordingly, the trustees 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 trustees are 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 trustees 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 trustees are 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. They are 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

OVERVIEW

A weak December brought the curtain down on a year of extraordinary activity on global equity markets. It was a year of extremes as China's stock market doubled in value and Irish equities shed 30%; Banks boasted record profits before succumbing to massive writedowns in the second half of the year as sub-prime default worries mounted. The US dollar slumped as the economic prognosis turned sour, while the Canadian currency stormed ahead on the back of rising commodity prices. The Federal Reserve cut the federal funds rate by one full percentage point in the space of 10 weeks; the first cut in late September and latest in early December coming just days after the European Central Bank put markets on notice that it would increase rates if inflation stayed high. Oil and food prices gained appreciably through 2007, with oil closing in on the $100 per barrel level by the end of the year. The Bank of England cut its benchmark rate to 5.5% in December as the UK property market stalled and confidence levels dropped.

Overall, it was a year in which "sub-prime" and "credit crunch" were added to the lexicon of terms that come to define significant financial market events, while the end of the year was also noticeable for mutterings of the dreaded "R" word, as U.S. economic data deteriorated.

The global credit crunch was the principal weight on financial markets in 2007, with liquidity drying up and money market rates spiking higher. Northern Rock in the UK was a high-profile casualty as it had to turn to the Bank of England for funding. Central banks intervened on a number of occasions to provide liquidity in an environment where banks were distrustful of one another's exposure. 'Defensive' sectors such as utilities and consumer staples performed best in the second half of the year, while mining and energy stocks were also stronger, driven by elevated commodity prices and consolidation within the sectors.

Government bonds rallied as investors sought safe-haven investments in the midst of the worsening credit crisis. Bond yields dropped sharply, particularly in the US where expectations of interest rate cuts were at the highest. This was very much a second-half-of-2007 phenomenon as bond markets had struggled to make headway in the first half as economic growth forecasts had been at much more robust levels at the time. Bond markets typically generated modestly positive returns for the full year.

Property generated a healthy return for the year, although a drop in capital values, particularly in the UK, trimmed gains by year-end.

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REPORT OF BANK OF IRELAND ASSET MANAGEMENT 2007
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Outlook

The message emanating from many markets, at least in Europe and the US, is becoming clear; there is an economic problem out there. Further cuts in interest rates are therefore to be expected, even from the ECB (which purports to want to raise rates, something we doubt). We have doubts over the ability of the emerging/developing world to withstand a US recession (if one transpires) in the way that the 'decoupling' thesis might suggest.

Recent data from the US, in particular manufacturing and employment data, suggest further deterioration in the economy. The risks of a recession, which we were hopeful of avoiding, have risen. There is a broad spectrum of opinion on the likely severity of the slowdown, but history would suggest that a recession is now likely. The recent deterioration in the US labour market has been on a scale that in the past has usually been accompanied by a recession. Some of this is in share prices but we suspect that headline macro weakness, ongoing rumblings from the credit crunch and earnings downgrades will combine to produce headwinds for equity markets.

We adopted a more cautious outlook in the latter part of the year. Defensive stocks have performed relatively strongly while there are signs of support for financial stocks – sovereign wealth funds have been actively taking stakes in banks, picking up what they consider to be good quality investments at attractive prices. We believe that markets are pricing too negative an outcome to 2008 for Irish banks and Irish stocks in general, and we expect that to change as earnings bear out that belief.

All eyes are on the consumer, particularly in the US and UK where data suggests some reining in of spending. Stocks most exposed to discretionary spending are recording earnings downgrades. We reduced consumer cyclical exposure and added to 'defensive' areas in the final months of the year. Already in 2008, many consumer discretionary stocks have fallen sharply to the point where they are beginning to look reasonable value in relative terms.

Performance

Irish Fund

The fund decreased in value from €68.1m to €61.5m during 2007, taking into account negative cash flow of €1,250,015. This represents a weighted return of minus 7.9%.

Asset Distribution

	31 December 2007	31 December 2006
Equities	68.9%	76.8%
Fixed Interest	16.2%	10.5%
Property	7.6%	10.6%
Cash	7.3%	2.1%

Sterling

The fund decreased in value from £43.5m to £43.3m during 2007, taking into account negative cash flow of £1,288,570. This represents a weighted return of 2.6%.

Asset Distribution

	31 December 2007	31 December 2006
Equities	80.6%	90.2%
Fixed Interest	14.8%	8.2%
Cash	4.6%	1.6%

Bank of Ireland Asset Management
31 January 2008

AUDITOR'S REPORT

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

We have audited the financial statements on pages 10 to 21.

Respective Responsibilities of the Trustee and Auditors
The responsibilities of the Representative Church Body, as Trustee, for preparing the Annual Report and financial statements in accordance with applicable legislation and accounting standards generally accepted in Ireland are set out on pages 4 and 5 in the statement of Trustee's responsibilities. This report, including the opinion, has been prepared for and only for the trustee and members of the Clergy Pension 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.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you whether the financial statements give a true and fair view of the financial transactions of the Fund during the fund year 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 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 Fund's year end and, in our opinion, have been paid in accordance with the Fund 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 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 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 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 show a true and fair view of the financial transactions of the Fund during the year ended 31 December 2007, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions 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 2007 have been received by the Trustee within 30 days of the end of the fund year and, in our opinion, have been paid in accordance with the Fund Rules and the recommendation of the actuary.

PricewaterhouseCoopers

PricewaterhouseCoopers

Chartered Accountants and Registered Auditors
Dublin
25 March 2008

Chartered Accountants

PricewaterhouseCoopers is authorised by the Institute of Chartered Accountants in Ireland to carry on investment business.

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ACCOUNTING POLICIES **PAGE 10**

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. (2007 €1 = £0.7333
2006 €1 = £0.6715).

(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.