

Summary of the Trustees Report and Financial Statements 2006

Chairman's Statement

This past year has once again presented many challenges and problems to your Trustees and the Funds' staff. Not the least of these were the Government pension reforms making it necessary for us to make further revisions to the ITB Pension Funds Trust Deed and Rules. The pensions industry has undergone major and significant changes over the past few years, especially those resulting from the 2004 Pensions and Finance Acts. The business of providing pensions is now governed by an intense regulatory and legal regime and it is becoming even more complex and costly to administer pension schemes given this increasing trend of Governmental control. Despite these increasing restrictions, I am pleased to be able to report to you that over the past year both the Open and Closed Funds assets have increased yet again in value.

One of the most significant provisions of the Pensions Act 2004 was the introduction of the Pension Protection Fund (PPF). The PPF has been set up by the Government to assist members whose pension schemes collapse because their sponsoring employer becomes insolvent. Put simply, it is a kind of insurance policy where all defined benefit pension schemes, such as the Open and Closed Funds, must each pay into the PPF a levy based on the levels of its liabilities and asset values and the credit worthiness of its participating employers, as calculated on a prescribed PPF valuation basis. It will be of some satisfaction for Members to know that our Scheme Actuary reported that the Open and Closed Funds were in one of the highest solvency ranges for the purpose of our first PPF valuation as at the 31st March 2006, resulting in our levy being at the low end of the payment scale.

The most radical changes, however, resulted from the Finance Act 2004, and the proposed introduction on the 6 April 2006 (known as A-Day) of a unified tax regime applicable to all types of pension arrangements. The Trustees working together with the Funds' staff and our legal and actuarial advisers were very well placed in readiness for A-Day, having completed most of the necessary groundwork over this last year. This required further extensive revision to the ITB Pension Funds Trust Deed and Rules to reflect the Trustees and Participating

Employers agreed position on many of the requirements of the Finance Act 2004. The revised document was ready and in place prior to A-Day. This work also included substantial changes to our legal, technical and administrative procedures with the key need that we be A-Day compliant and so be in a position to deliver the correct pension information to all classes of our Members required by the new regulatory regime from the 6 April 2006.

The most notable of the tax changes that will become apparent to Members of the ITB Pension Funds is the introduction of the Lifetime Allowance (LTA) and an Annual Allowance. The LTA starts at the significant level of £1.5 million and will be subject to further increases over time and replaces the previous Inland Revenue maximum pension limits which were broadly two-thirds of final salary provided considerable pensionable service had been achieved. The new LTA places a capital value on pension benefits; in short, 20:1 for pensions coming into payment after A-Day and 25:1 for pensions in payment prior to A-Day. The outcome of this will be that the most Members will be advantaged by the higher limits on pension benefits. The new Annual Allowance increases greatly the amount Members may contribute to their pension savings in as many registered pension schemes as they wish. Changes have also been made to the amount that may be taken out as tax-free lump sums at retirement.

In parallel with the systems review processes which took place for A-Day, the Funds' Office has upgraded its web facilities to provide a more integrated service to the membership with soon to be deployed enhancements to the web modelling platform www.myitb.com. These new facilities will enable Pensioners and Deferred Pensioners to see and do more individually in relation to their own pensions. Pensioners will be able to calculate the value of their spouse's pensions and Deferred Members to model the value of their pension and tax-free cash sums that will be payable in the future, thus complementing the existing comprehensive modelling facilities available to Active Members. These developments have been central to your Trustees thinking in their commitment to provide useful

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Chairman's Statement

and informative web facilities which help Members of all classes to determine their own potential benefits securely and easily on line.

Although challenges and volatility in the world's financial markets still continue and will do so into the foreseeable future we have been encouraged by the investment conditions that have prevailed over this past year. These have translated into another year of solid investment performance and increased gain in asset values for both the Closed and Open Funds. In contrast to this positive news, we have seen the costs of providing pension benefits continue to rise. One of the most significant factors contributing to the increase in pension liabilities is the cost involved in providing for increased longevity among members, whereby most of us will be paid pensions for a longer period than was envisaged at the time we started paying contributions. Both our Funds are experiencing this increase in liabilities.

This and other factors were taken into account by the Scheme Actuary when carrying out an interim assessment of the Open Fund requested by the Trustees based on the Fund's financial results as at the 31 March 2005. Asking for an assessment of this type has become the norm in recent years as the Trustees consider it prudent to monitor the financial health of the Scheme in between formal Actuarial Valuations which are carried out every three years, the next one of which is due on the Open Fund as at the 31 March 2007. As reported in the March 2006 edition of the Funds' Newsletter "Pension News" the results of this interim assessment were communicated to the Participating Employers. Their positive response in increasing the contribution rates from previous levels with effect from the 1 April 2006 in advance of the Actuarial Valuation is reassuring and welcome.

The Closed Fund is largely invested in index linked securities intended to match its pension and deferred pension liabilities. However, whilst the Closed Fund may not be greatly affected by the changes in equity markets it too is also subject to the greater costs of pension provision resulting from increasing longevity, a trend which is expected to continue. The Scheme Actuary will take these factors into account when he carries out the Actuarial Valuation of the Closed Fund as at the 31 March 2006 where the results are expected to be available in the autumn.

The Trustees Statements of Investment Principles (SIP) sets out our approach on the investment of the assets of the two Funds and the current SIPs can be found on the ITB Pension Funds' website at www.itb-online.co.uk The

Trustees review these Statements at least every year and are required to consult with the Participating Employers before changing the SIPs and adopting any new investment strategy.

As I mentioned before, this past year was a challenging and very busy one, especially for the staff at the Funds' Office under the guidance and leadership of the Director, Vincent Gordon. They maintained their emphasis on providing the Members with a service which meets the highest of standards in all areas of operation. In addition, in giving the Trustees the necessary support and assistance, they have shown the level of professionalism and proficiency we value so much. On behalf of my fellow Trustees, I thank them for their hard work and dedication.

I cannot say it too often that the ITB Pension Funds are so very fortunate in having the Trustees they have to look after the interests of all classes of Member in the complex and demanding circumstances that prevail in the pensions world today. This has been yet another demanding year in which the new legislation I mentioned earlier had to be recognised, understood and acted upon in the best interests of our Members by the Trustees. Their collective knowledge, skill and integrity ensures that Members and Participating Employers benefit from their selfless contribution to ensure the continuing success of the ITB Pension Funds.

I am so grateful for their assistance to the Funds and myself over this past year.

This is my last report to you as Chairman as I shall have retired from office by the time you read this statement after serving the maximum tenure of six years in the Chair and over nine years as Trustee. It has been an honour and a privilege to have served the Funds over this testing and momentous time and my best wishes go to the continuing success of the Funds, the Members, Trustees and Participating Employers.

In leaving, it gives me great pleasure to be able to report, at the end of another demanding year, that both the Closed and Open Funds are in good shape and have increased in value which should contribute to the sustainable security of the ITB Pension Funds in the future.

Finally, I would like to acknowledge the new Chairman, Peter Rogerson OBE. Peter is Deputy Chairman of the Construction Industry Training Board which is our biggest Participating Employer representing about 65% of our membership.

Chairman's Statement

He has served on both the Management Panel and the Investment Committee and together with his extensive business experience I am confident that the future of the Funds are in good, safe hands. I am sure I speak for us all in wishing him every success in his new role.



NORMAN DUNLOP CBE
Retiring Chairman of Trustees

7 July 2006

PETER ROGERSON OBE, THE NEW CHAIRMAN

As I take over the mantle of Chairman of the Pension Funds I would like to pay tribute to Norman for the integrity, dedication and insight he brought to the role. Always the consummate professional he earned the total respect of his fellow Trustees - me amongst them.

Under his stewardship the Board was able to cope smoothly with the numerous challenges presented, many of which having stemmed from legislative or regulatory sources.



I should also mention that a platform for operational excellence has been critical in dealing with these challenges and this is provided by Vincent Gordon and his team at the Funds Office. Through their input and the assistance of my fellow Trustees I look forward to carrying on the work that Norman completed so successfully.

On behalf of the Board and the staff and members of the Funds I wish Norman a long and happy retirement.

PETER ROGERSON OBE
Chairman of Trustees

7 July 2006

Financial Summary

| | Closed fund £'000 | Open fund £'000 |
|---|----------------------|--------------------|
| Value of Funds at 31st March 2005 | 208,171 | 501,688 |
| Income | | |
| Contributions | - | 6,419 |
| Transfer values received | - | 252 |
| Income from investment | 4,560 | 13,083 |
| Total income | 4,560 | 19,754 |
| Expenditure | | |
| Pensions and other benefits | (10,947) | (19,821) |
| Transfer values paid | (51) | (102) |
| Administration expenses | (484) | (918) |
| Pension Fund Levy | (29) | (84) |
| Total expenditure | (11,511) | (20,925) |
| Balance deducted from value of Funds brought forward | (6,951) | (1,171) |
| Net movement in market value of investments and realised gain movements | 21,867 | 91,165 |
| Value of Funds at 31st March 2006 | £223,087 | £591,682 |

Board of Trustees

The Trustees are individuals who administer the ITB Pension Funds in accordance with the Trust Deed and Rules for the benefit of the Members. The Trust has been set up independently from the Participating Employers businesses. The ITB Pension Funds are controlled by 18 Managing Trustees consisting of nine Employer, seven Member and two Pensioner Trustees.

The Trustees are as follows:

Peter Rogerson, OBE *Employers' Trustee*
(Chairman)
Nominated by:
Construction ITB (CITB)
(Deputy Chairman of CITB)



Ken Potter *Members' Trustee*
(Deputy Chairman)
Nominated by:
JTL
Scottish Electrical Charitable Training Trust
(Financial Controller for JTL)



Professor Tom Cannon *Employers' Trustee*
Nominated by:
CAPITB plc
(Chief Executive Officer of Ideopolis International)



John Edwards *Members' Trustee*
Nominated by the Trade Union for:
Engineering Construction ITB
(Account Manager for ECITB)



Bob Hanks *Employers' Trustee*
Nominated by:
Polymer Industry Education and Training Trust Limited
Automotive Skills Limited
Road Haulage and
Distribution Training Council
Skills for Logistics
(Managing Director of Ian Burg Plastics Ltd)



Tim Mahoney *Members' Trustee*
Nominated by:
Science, Engineering and Manufacturing Technologies Alliance
(Succeeded Allan Whatmore who retired from
office on the 30 April 2005)
(Sector Skills Adviser for Science, Engineering and Manufacturing
Technologies Alliance)



Madge Moore *Members' Trustee*
Nominated by:
Lantra
(National Director - England)



Horace Parker *Pensioners' Trustee*
Nominated by:
Closed Fund Pensioners
Previously Printing and Publishing ITB
(Retired - Formerly Advisory Services Manager for PPIITB)



Jonathan Swift *Employers' Trustee*
Nominated by:
Lantra
(Group Managing Director of BHF Group)



George Beveridge *Employers' Trustee*
(Deputy Chairman)
Nominated by:
Cogent SSC Limited
(Management Consultant)



David Barnett *Pensioners' Trustee*
Nominated by:
Open Fund Pensioners
Previously Road Transport ITB
(Retired - Formerly Director General of RTITB)



Neil Davis *Employers' Trustee*
Nominated by:
Engineering Construction Industry Training Board
(Non-Executive Director for ECITB)



Neville Gall *Members' Trustee*
Nominated by:
Cogent SSC Limited
(Human Resources Manager for Cogent)



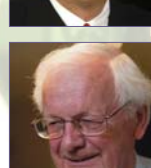
Denis Hird *Employers' Trustee*
Nominated by:
JTL
Scottish Electrical Charitable Training Trust (SECTT)
(Chief Executive of JTL)



Peter McCulloch *Members' Trustee*
Nominated by Trade Union for:
Construction ITB (CITB)
(Training Adviser for CITB)



Trevor Oliver *Members' Trustee*
Nominated by:
Polymer Industry Education and Training Trust Limited
Automotive Skills Ltd; CAPITB Plc
Skills for Logistics
Road Haulage and Distribution
Training Council; People 1st
(Technical Adviser for Polymer Industry Education and
Training Trust Limited)



D'Arcy Payne *Employers' Trustee*
Nominated by:
Science, Engineering and Manufacturing Technologies Alliance
(Vice President of Science, Engineering and Manufacturing
Technologies Alliance)



Simon Tarr *Employers' Trustee*
Nominated by:
People 1st
(Finance Director for People 1st)

Changes to the Trustees

Member Trustees

New appointments

Tim Mahoney (appointed 7 July 2006) succeeded Allan Whatmore as Members' Trustee for Science, Engineering and Manufacturing Technologies Alliance.

Neville Gall (appointed 1 April 2006) as Members' Trustee for Cogent SSC Ltd.

Trevor Oliver (appointed 1 April 2006) succeeded Neville Gall as Joint Members' Trustee for Automotive Skills Limited, CAPITB plc, People 1st, Polymer Industry Education and Training Trust Limited, Road Haulage & Distribution Training Council and Skills for Logistics.

Re-appointments

Ken Potter (re-appointed 1 January 2006) as Members' Trustee for JTL and Scottish Electrical Charitable Training Trust.

Peter McCulloch (re-appointed 1 January 2006) as Members' Trustee for Construction ITB.

Madge Moore (re-appointed 1 April 2006) as Members' Trustee for Lantra.

Appointments relinquished

Maureen Webster (appointment relinquished 31 March 2006) as Members' Trustee for People 1st.

Pensioner Trustees

Reappointments

David Barnett (re-appointed 1 October 2006) as Open Fund Pensioner Trustee.

Horace Parker (re-appointed 1 October 2006) as Closed Fund Pensioner Trustee.

Employer Trustees

Appointments

D'Arcy Payne (appointed 1 July 2005) succeeded Stephen Ingram as Employer Trustee for Science, Engineering and Manufacturing Technologies Alliance.

Denis Hird (appointed 7 October 2005) succeeded David Young as Employer Trustee for JTL and Scottish Electrical Charitable Training Trust.

Simon Tarr (appointed 7 October 2005) succeeded David Stanton as Employer Trustee for People 1st.

Neil Davis (appointed 1 April 2006) succeeded Norman Dunlop as Employer Trustee for Engineering Construction ITB.

Chairman

Peter Rogerson OBE, the Employers' Trustee for Construction ITB was appointed Chairman of the Trustees on 1 April 2006, succeeding Norman Dunlop, CBE, who retired from office on 31 March 2006.

Deputy Chairmen

George Beveridge (re-appointed 1 October 2005) as Deputy Chairman (Employers).

Ken Potter (re-appointed 1 January 2006) as Deputy Chairman (Members).

Trustee Training – Induction and Updating Knowledge

All new Trustees undertake an induction program shortly after becoming a Trustee. The aim of this programme is to introduce new Trustees to the Funds' business, its operations and its governance arrangements. The induction programme includes meetings with the Director and Senior Managers at the Funds' Office in Watford. Upon appointment new Trustees are issued with personal copies of all the Funds key documentation. Also, special arrangements are made for new Trustees to attend training courses arranged by outside providers. In addition, all Trustees regularly undergo a process to identify their training needs. Based on this assessment, relevant training courses are then organised throughout the year.

Meetings

A meeting of all the Trustees is normally held at least four times a year where they are presented with detailed information by the Director, the Funds legal and actuarial advisers and by two Committees – the Investment Committee and the Management Panel – serving the Trustees. On these occasions matters of significance such as those concerning legal, actuarial, investment and administration are discussed and decisions made.

Committees

The Investment Committee, Management Panel and the Salaries Committee are formally set up by resolution in accordance with the Rules and have carefully defined remits.

Officers and Advisers at 31 March 2006

Officers

| | |
|-----------------------------------|----------------------|
| Director | Vincent Gordon APMI |
| Accountant | Dave Faulkner FCA |
| Communications & Benefits Manager | Dennis Matthews APMI |

Advisers

| | |
|------------------------------|--|
| Actuary | Government Actuary |
| Solicitors | Mayer, Brown, Rowe & Maw LLP |
| Investment Managers | Barclays Global Investors Limited Fidelity Pensions Management Limited Morley Fund Management Limited Schroder Investment Management (UK) Limited |
| Property Investment Managers | Fletcher King |
| Investment Advisers | Watson Wyatt Limited Mellon Analytical Solutions Europe Limited |
| Custodians | JP Morgan Chase Bank Barclays Global Investors Limited Universal Pension Trustees Limited |
| Auditors | Chantrey Vellacott DFK LLP |

Vincent Gordon (centre)
Dennis Matthews (left)
Dave Faulkner (right)



Participating Employers

The Participating Employers comprise two Statutory Training Boards and eleven Companies, which are in the main commercial enterprises and, along with their wholly owned subsidiaries, are the Successor Bodies that have replaced former Statutory Training Boards.

During the year the following changes occurred: Science, Engineering and Manufacturing Technologies Alliance (SEMTA) merged with Metals Industry Skills and Performance Limited (MetSkill). With effect from 7 July 2005, MetSkill became a wholly owned subsidiary of SEMTA.

CAPITB plc sold their subsidiary Qualifications for Industry Limited in September 2005.

Road Haulage & Distribution Training Council gave notice of their intention to withdraw from the ITB Pension Funds. The date of termination was 31 May 2006.

The Participating Employers at the Scheme year end, each of which must be a Statutory Training Board or a Successor Body to a Training Board, are shown opposite:

Automotive Skills Limited

CAPITB plc

Subsidiaries: Global Resource Management PLC
RTITB Limited
Skillfast-UK Limited

Cogent SSC Limited

Subsidiaries: Cogent Sector Services Limited
Skills Assurance Services Limited

Construction ITB

Engineering Construction ITB

JTL

Lantra

People 1st

Polymer Industry Education and Training Trust Limited

Road Haulage & Distribution Training Council

Science, Engineering and Manufacturing

Technologies Alliance

Subsidiaries: EMTA Awards Limited
Metals Industry Skills and Performance Limited (MetSkill)
Training Publications Limited

Scottish Electrical Charitable Training Trust

Skills for Logistics

Five Year Summary

Open Fund

Closed Fund

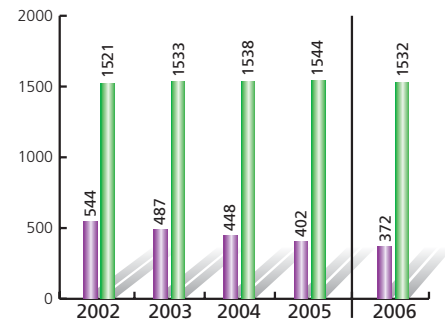
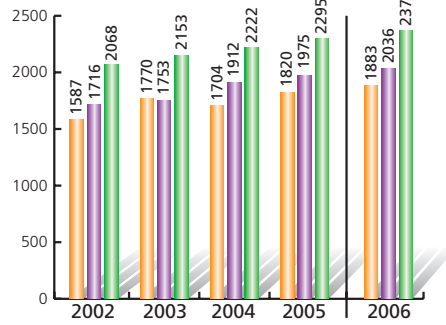
Membership

KEY:

Active

Preserved Pensions

Pensioners & Dependants

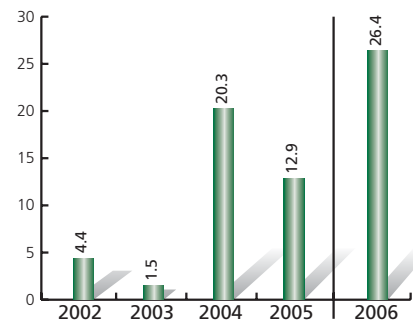
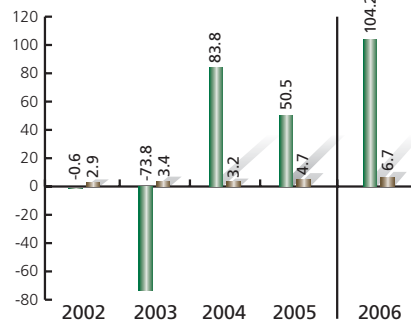


Income (£M)

KEY:

Investment

Contributions

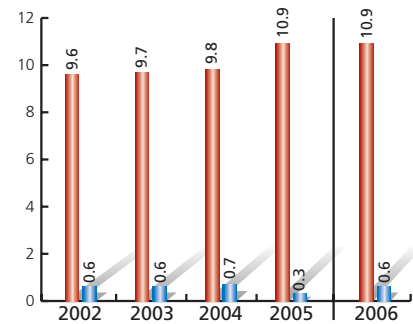
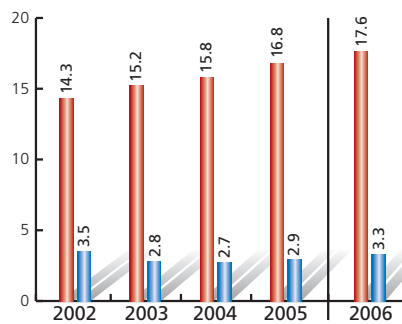


Expenditure (£M)

KEY:

Pensions

Other

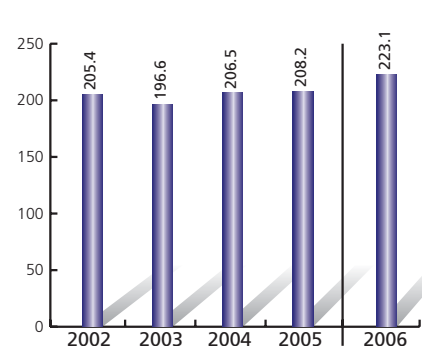
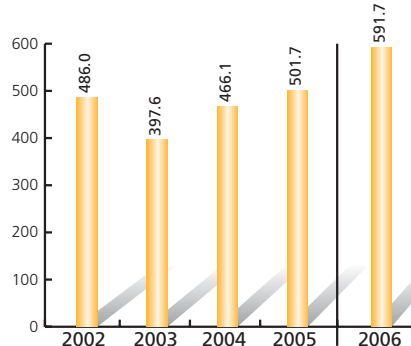


Fund Value (£M)

KEY:

Open Fund

Closed Fund



Summary Funding Statement

Recent changes in pensions legislation require the Trustees to make available a Summary Funding Statement to all ITB Scheme members each year. The Trustees have consulted the Scheme Actuary and prepared the following documents, which are the first Summary Funding Statements for the Open and Closed Funds.

The ITB Pensions Fund (Open Fund): Summary Funding Statement for Period ending 31 March 2004

The ITB Pension Funds' Trustees who look after the Scheme will provide an update of the Scheme's funding position each year in a statement similar to that shown below. From two years' time the statement will be based on an actuarial valuation carried out under the new scheme funding requirements.

The last ongoing funding valuation

The most recent funding valuation of the Open Fund on the Minimum Funding Requirement (MFR) showed that on 31 March 2004 the funding position was as follows:

| | |
|-------------------|--|
| Assets | £466.1 million |
| MFR Funding level | The assets of the Scheme are over 120% of the amount of the liabilities of the Scheme. |

As a result, it was possible to reduce contributions for members and most employers.

The estimated amount needed to ensure that all members' benefits could have been paid in full if the Scheme had started winding up (full solvency) was £529.7 million. Inclusion of this information does not imply that the Participating Employers are thinking of winding-up the scheme.

Change in funding position

The position will have changed since the previous funding valuation. However the assets of the Scheme are expected to remain over 120% of the amount of the MFR liabilities.

Payment to the participating employers

There has not been any payment to the Participating Employers out of Scheme funds in the last twelve months.

Important: If you are thinking of leaving the Scheme for any reason, you should consult a professional advisor, such as an independent financial advisor, before taking any action.

How the Scheme operates

How is my pension paid for?

The Participating Employers pay contributions to the pension Scheme so that the Scheme can pay pensions to Scheme members when they retire. Active members also pay contributions to the Scheme, and these are deducted from gross pay.

The money to pay for members' pensions is held in a common fund. It is not held in separate funds for each individual.

How is the amount the Scheme needs worked out?

The Trustees obtain regular valuations of the benefits earned by members. Using this information, the Trustees come to an agreement with the Participating Employers on future contributions.

The importance of the Participating Employers' support

The Trustees' objective is to have enough money in the Scheme to pay pensions now and in the future. However, success of the plan relies on the Participating Employers continuing to support the Scheme because:

- The Participating Employers will be paying the future expenses of running the Scheme on an annual basis;
- the funding level can fluctuate, and when there is a funding shortfall, the Participating Employers will usually need to put in more money; and
- the target funding level may turn out not to be enough so that the Participating Employers will need to put in more money.

What is the Scheme invested in?

The Trustees' strategic target (which will be subject to periodic variation) is to invest in a broad range of assets subject to asset class limits as follows:

| | |
|-------------------------|-----|
| UK Equities | 25% |
| Overseas Equities | 25% |
| Fixed Interest | 20% |
| Index Linked | 10% |
| Property | 15% |
| Alternative Investments | 5% |

Where can I get more information?

If you have any other questions, or would like any more information, please contact the ITB Funds' Office at Watford. A list of more detailed documents which provide further information is shown below. Most of the documents are available on the Funds' website at www.itb-online.co.uk.

Additional documents available on request or on the Funds' website www.itb-online.co.uk

The Statement of Investment Principles. This explains how the Trustees invest the money paid into the scheme.

Summary Funding Statement

The Schedule of Contributions. This shows how much money is being paid into the Scheme.

The Annual Report and Accounts of the ITB Pension Fund, which shows the Scheme's income and expenditure in the year up to 31 March 2006.

The full report on the *Actuarial Valuation* following the actuary's check of the Scheme's situation as at 31 March 2004.

The ITB Open Fund New Section and Old Section Information Booklets (you should have been given a copy when you joined the Scheme, but a further copy can be requested).

An Annual Benefit Statement – If you are not getting a pension from the Scheme (and have not received a benefit statement in the previous 12 months) you can ask for a statement that provides an illustration of your likely pension.

The ITB Pensions Fund (Closed Fund): Summary Funding Statement for Period ending 31 March 2003

The ITB Pension Funds' Trustees who look after the Scheme will provide an update of the Scheme's funding position each year in a statement similar to that shown below. From next year the statement will be based on an actuarial valuation carried out under the new Scheme Funding Requirements.

The last ongoing funding valuation

The most recent funding valuation of the Closed Fund on the Minimum Funding Requirement (MFR) showed that on 31 March 2003 the funding position was as follows:

| | |
|-------------------|---|
| Assets | £195.6 million |
| MFR Funding level | the assets of the Scheme were over 120% of the amount of the liabilities of the Scheme. |

As a result, no further contributions were required.

Change in funding position

The position will have changed since the previous funding valuation. However the assets of the Scheme continue to be over 120% of the amount of the MFR liabilities.

Payment to the employers

There has not been any payment to the Employers out of Scheme funds in the last twelve months.

How the Scheme operates

How is my pension paid for?

The Employers and employees have historically paid contributions to the pension Scheme so that the Scheme can pay pensions to Scheme members when they retire. There are no longer any contributing members in the Closed Fund.

The money to pay for members' pensions is held in a common fund. It is not held in separate funds for each individual.

How is the amount the Scheme needs worked out?

The Trustees obtain regular valuations of the benefits earned by members. Using this information, the Trustees come to a conclusion on whether the Scheme is adequately funded and if any further action is needed.

What is the Scheme invested in?

The Trustees' policy is to invest the majority of the Funds' assets in Index Linked Gilts to match the liabilities of the fund as they come due. The reserve assets are invested in a broad range of assets the majority of which are expected to be equities. Cash is held to pay the most imminent liabilities.

Where can I get more information?

If you have any other questions, or would like any more information, please contact the ITB Funds' Office at Watford. A list of more detailed documents which provide further information is shown below. Most of the documents are available on the Funds' website at www.itb-online.co.uk.

Additional documents available on request or on the Funds' website www.itb-online.co.uk

The Statement of Investment Principles. This explains how the Trustees invest the money paid into the scheme.

The full report on the Actuarial Valuation following the actuary's check of the Scheme's situation as at 31 March 2003.

An Annual Benefit Statement – If you are not getting a pension from the Scheme (and have not received a benefit statement in the previous 12 months) you can ask for a statement that provides an illustration of your likely pension.

Important: If you are thinking of leaving the ITB Pension Funds for any reason, you should consult a professional advisor, such as an independent financial advisor, before taking any action.

Investment Report

Statement of Investment Principles (SIPS)

The Pensions Act 1995, as amended, sets out certain requirements for Trustees of pension schemes to prepare SIPS that govern their investment decisions. Whilst the ultimate power and responsibility for deciding investment policy rests solely with trustees, they are expected to consult with participating employers about the preparation of SIPS. The ITB Pension Funds Trustees do this and they also seek advice from their investment consultants and actuarial advisers on the broad investment principles governing the investment policy of the Funds.

The SIPS are reviewed at least once a year. The full versions of SIPS can be viewed by accessing the ITB website on www.itb-online.co.uk or obtained by requesting a copy from the Funds' Office.

Specialist investment managers are employed by the Trustees to manage the portfolios of investments. Their appointments are reviewed by the Trustees annually in light of quarterly monitoring of the performance and investment process.

The Trustees' investment strategy aims, over the long term, to achieve good investment growth while maintaining a secure funding position for the Open Fund. Although an overall long term strategic asset allocation is agreed by the Trustees,

the Investment Managers are given individual benchmarks. The active managers are permitted to diverge from these benchmarks within policy guidelines which are determined periodically by the Trustees in conjunction with their Investment Advisers. The guidelines are reviewed by the Trustees' Investment Committee at regular quarterly meetings.

As the Closed Fund has no current Participating Employers with active Members an investment strategy has been adopted whereby the liabilities have been broadly matched by an underlying portfolio of index-linked gilts. Because of the surplus in the Closed Fund a portfolio representing the reserve assets has been established and placed in a range of investments comprising global equities and bonds.

No individual shareholding forms more than 5% of the total value of each Fund's investments with the exception of the BGI Aquilla Life UK Equity Index Fund which represents 12.8% of the Open Fund's investments. The ITB Pension Funds' assets are invested in accordance with the Occupational Pension Schemes (Investment) Regulation 1996. The Funds do not invest in any of the Participating Employers' businesses.

No investment represents more than 3% of the share capital of the Company concerned.

Pension Increases

| The method by which increases apply to pensions in payment from the ITB Pension Funds is as follows: | | | | |
|--|----------------------|-------------------------|--|-----------------------|
| | Closed Fund | Open Fund (Old Section) | Open Fund (New Section) | The State |
| Before State Pension Age the Scheme increases total pension by: | RPI | RPI | RPI subject to a maximum in any one year of: 5% for pensions accrued prior to 6 April 2005 and 2.5% for pensions accrued thereafter. | Nil |
| After State Pension Age the Scheme increases: Excess over GMP by: | RPI | RPI | RPI subject to a maximum in any one year of: 5% for pensions accrued prior to 6 April 2005 and 2.5% for pensions accrued thereafter. | Nil |
| GMP accrued between: 6 April 1978 to 5 April 1988 by: | Nil | Nil | Nil | RPI |
| 6 April 1988 to 5 April 1997 by: | Lesser of 3% and RPI | Lesser of 3% and RPI | Lesser of 3% and RPI | Excess of RPI over 3% |

Enquiries about the Funds, or about entitlement to benefits should be addressed to the **ITB Pension Funds**, 23 King Street, Watford Herts, WD18 0BJ

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