

Pension Funds

Trustees' Report & Financial Statements 2000-2001

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trustees' report

The Trustees' Report was
approved by the Managing
Trustees on 6 July 2001

N.N.W. Dunlop CBE Trustee
C.B. Lang Trustee

trustees



The Trustees in Office on 31 March 2001 are listed below.
For full details of how the Trustees are Nominated, see page 25.

Employers' Trustees

- | | |
|---|---|
| 01 Mr. N.N.W. Dunlop, CBE (<i>Chairman</i>)
Engineering Construction ITB | 06 Mr. S.G. Ingram
Engineering and Marine Training Authority |
| 02 Mr. G. Beveridge (<i>Deputy Chairman</i>)
RGIT Montrose Limited
Offshore Petroleum Industry Training
Organisation. OPITO Limited | 07 Mr. A. Stewart
Lantra Trust |
| 03 Mr. R. Dinkledein
Hospitality Training Foundation
RTITB Services Ltd
Motor Industry Training Council Ltd
Road Haulage and Distribution Training
Council | 08 Mr. H.W. Try, CBE
Construction ITB |
| 04 Mr. G.B. Edward
CAPITB plc | 09 Mr. D.P.B. Young
JTL
Scottish Electrical Charitable Training Trust |
| 05 Mr. R.S. Hanks
British Polymer Training Association | |



Members' Trustees

- 10 Mr. C.B. Lang (*Deputy Chairman*)
Engineering Construction ITB
British Polymer Training Association
Hospitality Training Foundation
Motor Industry Training Council
Road Haulage and Distribution Training
Council
RTITB Services Ltd
- 11 Mr. E.A. Whatmore
(*succeeded Mr. R. D'souza on 1 April 2001*)
Engineering and Marine Training
Authority
- 12 Mr. G.A. Eagle
Construction ITB
- 13 Mr. W.R. Grills
CAPITB plc
- 14 Mr. T. Howard
Lantra Trust

- 15 Mr. K.J.F. Potter
JTL
Scottish Electrical Charitable Training
Trust
- 16 Mr. D.L.W. Taylor
RGIT Montrose Limited
Offshore Petroleum Industry Training
Organisation. OPITO Limited

Pensioners' Trustees

- 17 Mr. H.O. Parker
Previously Printing and Publishing ITB
- 18 Mr. D.C. Barnett
Previously Road Transport ITB

Enquiries about the Funds, or about entitlement to benefits should be addressed to the ITB Pension Funds, 23 King Street, Watford Herts, WD18 OBJ (email: Pensions@itbpensionfunds.demon.co.uk)

chairman's statement

My first year as Chairman saw the introduction of more legislative changes to the way pension schemes are run. However this was overshadowed by the sudden and unexpected death of the Funds' Director, Michael Foskett, in late December 2000.

As reported to you in January, Michael was due to retire at the end of March 2001 having stayed past his normal retirement date to ensure a successful handover to his successor. It is particularly painful that, after more than 20 years of hard work and dedication to the Funds and in overseeing their successful growth, he himself was denied the opportunity to share in the benefits in retirement. On behalf of the Trustees, both past and present, I pay tribute to Michael's professionalism and leadership in his service to the Funds.

It is appropriate at this point to record my thanks to the Funds' staff who carried on through a most difficult period until our new Director took up his position in March. They ensured a continuation of the Funds' business to the same high standards that we have come to expect from them. I am confident that with this staff under our new Director, Vincent Gordon, the Funds will continue their success in the future.

Over the year there have been several significant changes to the way pension funds are run resulting from new legislation. These include:

- Pension Sharing on Divorce
- The Treatment of Part-Time Employees
- Stakeholder Pensions

Implementing these, together with the normal running of the Funds, has yet again imposed a considerable administrative burden on your Trustees and the staff. This rate of change in legislation on pension funds is continuing and further challenges include the new proposals such as those included in the report on institutional investment produced by Paul Myners at the request of the Government. The Myners Report proposes changes to the way pension schemes should operate their investment arrangements. The ITB Pension Funds appear well positioned to respond to many of the proposed changes, but we will nonetheless monitor the subject closely.

Still on the subject of investment, the Funds have enjoyed a successful performance over the five years from 1996 to 2000. This past year, however, has been a difficult and challenging one for our investment managers. Market conditions in this low yield, low inflation environment, together with a severe downturn in the US and other major economies in the second half of the year led to significant falls in global stock markets. This has resulted in the pension fund industry experiencing negative returns on investments for the first time since 1994. The effect of this on our Funds is that the gains made in the previous year have been matched by the fall this year.

There will be an Actuarial valuation of the Open Fund carried out as at 31 March 2001. In assessing the Funds' liabilities, the Actuary will take into account the increases arising from such factors as the change in the number of people retiring

earlier and the increasing longevity of pensioners. Taken together with the modest increase in value of the Funds over the period, it will not be possible to match previous performance.

In saying this, the Funds are still secure and fully able to meet their obligations. The long term security of the Funds remains the Trustees fundamental objective and they will continue to closely monitor developments and ensure that the Funds' asset allocation policy is tailored to keep pace with changes in the Funds circumstances and developments in global financial markets.

During the year further improvements to Open Fund benefits were announced which complemented those advised in December 1999. It seems extraordinary that the next valuation of the Open Fund is already upon us. Effective at 31 March 2001, the formal results are expected in the early part of 2002. We know that the investment returns for the years ended 1999 and 2000, whilst good, will be affected by the negative return this year.

Also, in January of this year further significant pensions increases were announced for Closed Fund pensioners and deferred pensioners, stemming from the surplus revealed by the Actuarial valuation as at 31 March 2000.

The Trustees place considerable emphasis on the service provided to Members and Employers who increasingly require a greater level of service and whose expectations are becoming ever more

sophisticated and demanding. The rapidly changing world of technology, in which we now exist, advances apace and is providing alternative ways of communicating and sharing knowledge. How the ITB Pension Funds Office use these technologies to best effect will be the subject of an objective review in this coming period, with the launch of our own internet site presently under consideration. This initiative would compliment our existing comprehensive communications programme which has been enhanced by the new format of this year's Report.

The world of pensions grows ever more complex. This makes great demands on the Trustees and requires that we have to face difficult decisions. There is nothing new about this. What is different is the growing complexity of the decisions that must be taken on your behalf. I believe that a strong Trustee board with knowledgeable and prudent Trustees, such as presently serve the ITB Pension Funds, is the best safeguard of Members' interests and I am grateful and give thanks to my colleague Trustees for their consistently valuable contribution and support.

At the end of an eventful first year where it has been my privilege to serve you as Chairman, I am pleased to report that both Funds are in good shape and in a position to make sustainable progress.



NORMAN DUNLOP CBE
Chairman of Trustees

6 July 2001



officers and advisers

at 31 March 2001

OFFICERS

Director	Mr. V.C. Gordon APMI
Accountant	Mr. R.T.Spiking FCA
Communications & Benefits Manager	Mr D.J Matthews APMI

ADVISERS

Actuary Government Actuary

Solicitors Rowe & Maw

Investment Managers
 Baring Asset Management Limited
 Fidelity Pensions Management Limited
 Morley Fund Management Limited
 Schroder Investment Management (UK) Limited

Property Investment Managers Fletcher King

Investment Advisers Watson Wyatt Worldwide

Custodians
 The Chase Manhattan Bank, N.A.
 Schroder Investment Management Limited
 Universal Pension Trustees Limited

Auditors Chantrey Vellacott DFK



Vincent Gordon,
Director

participating employers

The participating Employers comprise two Statutory Training Boards and twelve 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.

Montrose Scota Training International Limited changed its name during the year to RGIT Montrose Limited following the merger of its training interests with RGIT Limited, a company formerly under the auspices of Aberdeen City Council.

Moreover, since the previous Trustees' Report JT Ltd has changed its name to JTL and Lantra National Training Organisation Ltd has changed its name to Lantra Trust.

RTITB Services Limited continued in Administration at the year end.

The present participating Employers, each of which must be a Statutory Training Board or a Successor Body to a Training Board, are as follows:

British Polymer Training Association Ltd

JTL

CAPITB plc

Subsidiaries:

Excel Waste Management Training Limited

Global Resource Management PLC

Qualifications for Industry Limited

RTITB Limited

Team Training Services Limited

Lantra Trust

Motor Industry Training Council Limited

Offshore Petroleum Industry Training Organisation

Subsidiaries:

Training Associate Services Ltd

OPITO Limited

Construction ITB

Engineering Construction ITB

RGIT Montrose Limited

Engineering and Marine Training Authority

Subsidiaries:

EMTA Cleveland Training Centre Limited

Training Publications Limited

EMTA Awards Limited

Road Haulage & Distribution Training Council

RTITB Services Ltd

Hospitality Training Foundation

Scottish Electrical Charitable Training Trust

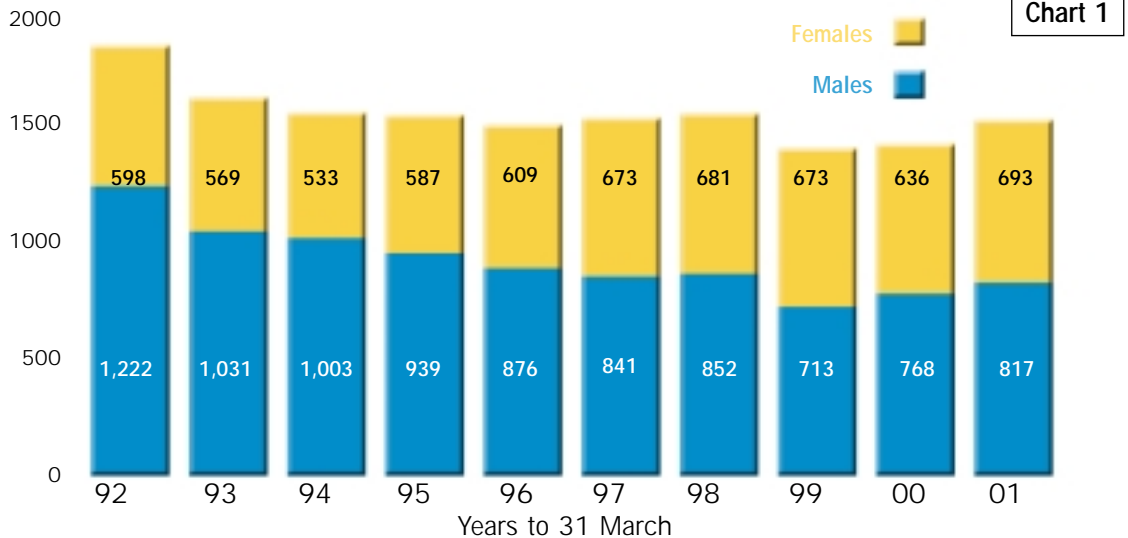
membership

Members

The ITB Pension Funds consist of two separate Funds. The Open Fund and the Closed Fund. All active Members are in the Open Fund. Details of how Members qualified to be deferred pensioners and pensioners of the Closed Fund are set out on page 30.

The Trustees ongoing communication programme combined jointly with Employers own initiatives resulted in an increase to active Membership during 2000/2001. Additionally, the merger of RGIT Ltd and Montrose Scota Training International Ltd also served to raise active membership numbers during this period.

Active Membership



The age structure of the contributing Members at 31 March 2001 was as follows:

Dennis Matthews,
Communications
& Benefits
Manager



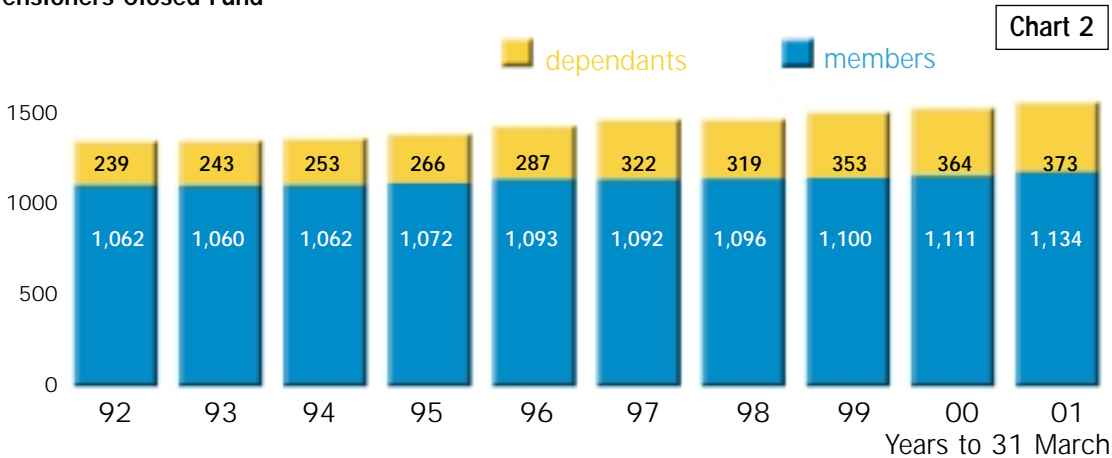
	Males	Females	Total
Under 30	43	146	189
30 - 34	56	115	171
35 - 39	98	123	221
40 - 44	146	85	231
45 - 49	125	87	212
50 - 54	156	77	233
55 - 59	135	49	184
60 - 64	57	10	67
65 and over	1	1	2
	817	693	1510

Pensioners

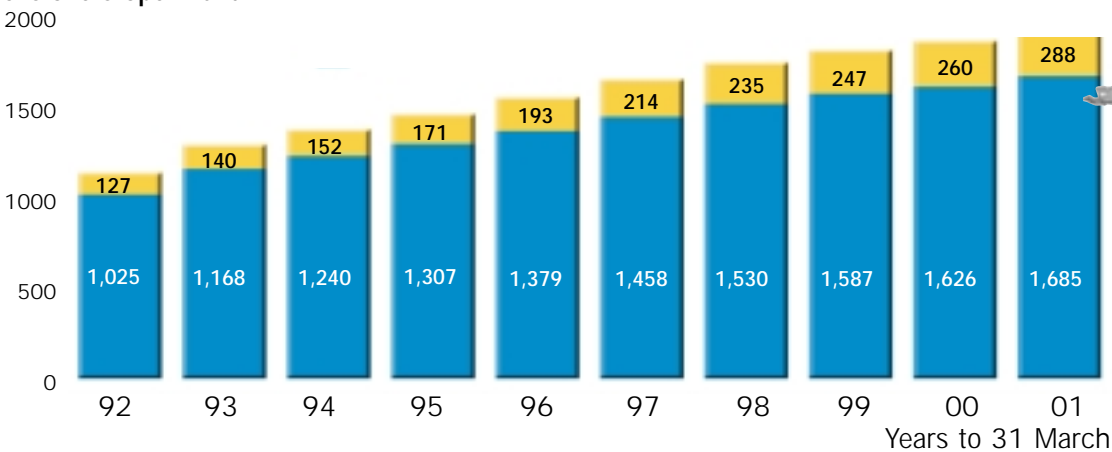
The number of pensioners in the Closed Fund continues to grow slowly; the pensioners who die being replaced by their dependants and Members whose preserved pensions come into payment. The number of pensioners in the Open Fund continues to steadily rise, mainly from early retirements

Pensioners are either **dependants** or **members** and the number in each category is shown below.

Pensioners Closed Fund



Pensioners Open Fund



Chris Bettles,
Benefits Co-ordinator

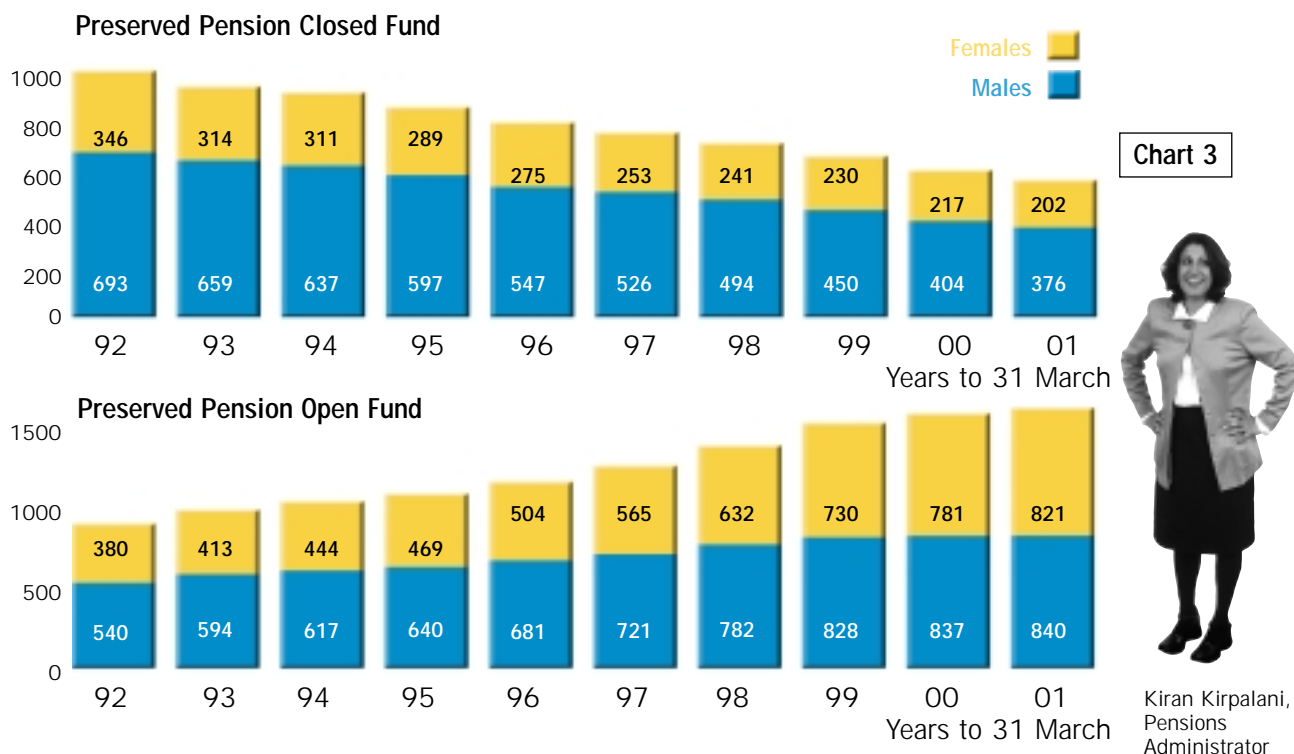
The total number of pensioners (including dependants) of 3,480 as at 31 March 2001 had increased by 119 compared with the figure of 3,361 at 31 March 2000.

The division of pensioners between the two Funds and the age groupings of the member pensioners is shown below. The benefits paid to the member pensioners cover compulsory, disability, early, normal and late retirement pensions.

	Closed Fund			Open Fund		
	Males	Females	Total	Males	Females	Total
Under 50	0	0	0	4	4	8
50 - 54	0	2	2	46	17	63
55 - 59	18	5	23	137	60	197
60 - 64	68	59	127	276	99	375
65 - 69	168	49	217	355	99	454
70 - 74	198	93	291	247	71	318
75 and over	308	165	473	235	35	270
<i>Dependants</i>			374			288
	760	373	1,507	1,300	385	1,973



Meriel Graham,
Pensions Administrator
(Pensioners payroll)



The 2,239 Members with preserved pensions at 31 March 2001 (i.e. Members who have left service but still have benefits due to them from the ITB Pension Funds which will become payable when they reach Normal Retirement Date). This was no change to the previous year.

	Closed Fund			Open Fund		
	Males	Females	Total	Males	Females	Total
The division of these Members between the two Funds and their age groupings are as follows.						
Under 40	1	1	2	111	281	392
40 - 44	2	2	4	152	155	307
45 - 49	26	43	69	177	135	312
50 - 54	114	95	209	220	162	382
55 - 59	137	60	197	131	80	211
60 - 64	95	1	96	48	8	56
65 and over	1	-	1	1	-	1
	376	202	578	840	821	1,661

The 2 Members over the age of 65 are eligible to receive their pensions but cannot be traced.

actuarial valuation

Closed Fund

The most recent valuation of the Closed Fund was completed by the Actuary as of 31 March 2000 which revealed a surplus of £38.1 million. For the purpose of the valuation the Actuary valued the assets of the Fund at £177.3 million and all liabilities, including future administration expenses, were valued at £139.2 million.

This favourable result enabled the Trustees to make further significant benefit improvements. Under the Rules governing the Closed Fund, the Trustees have power to use up to one-third of a surplus revealed at each tri-annual valuation to improve Members' benefits. This power is not subject to the approval of Employers.

The actuarial value of the assets of the Fund at 31 March 2000 were 127% of the liabilities. This exceeds the limit of 105% imposed by Section 603 of the Income and Corporation Taxes Act 1988 and means that tax will continue to be paid on part of the Closed Fund's income and realised capital gains. Reference is made in Note 11 to the Financial Statements to this liability.

The next actuarial valuation of the Closed Fund will take place on 31 March 2003.

Open Fund

The Actuary carried out a valuation of the Open Fund as at 31 March 1998. For the purpose of the valuation, the Actuary valued the Fund's liabilities at £340.9 million and the assets at £442.0 million. This resulted in a surplus of £101.1 million and included an amount of £24.8 million calculated by the previous valuation at 31 March 1995 which the Trustees had been unable to deal with because of legal difficulties. In assessing the value of the assets it was

assumed that Members contribute 5% of pay until 31 March 2004, then 6% of pay. Employers contribute 5% of pay until 31 March 1999, then 12.5%.

During the year ended 31 March 2000 agreement was reached with Employers on how the surplus should be used and actions were taken to grant benefit improvements, details of which were advised to Members in the December 1999 edition of "Pension News". Furthermore, details of supplementary benefit improvements which complemented those arising from the 1998 surplus and announced in December 1999, were advised to Members in the January 2001 edition of "Pension News".

The next actuarial valuation of the Open Fund will take place as at 31 March 2001.

Actuarial Certificate

Certificates provided by the Actuary confirming the satisfactory financial position of the Funds in accordance with the legislation in force at the date of the valuations are shown on the following pages.

Discontinuance

At each valuation the Actuary also carries out a separate valuation which assumes the Fund in question is wound up on the valuation date. This action is taken to ensure that all benefits, that have already accrued to all Members of the Fund up to the valuation date, are fully secured and do not depend on the payment of any further contributions.

Valuations on this basis, for the Closed Fund in 2000, and for the Open Fund in 1998 confirmed that all liabilities are fully covered by the respective assets of each Fund.

ACTUARIAL STATEMENTS MADE FOR THE PURPOSES OF REGULATION 30 OF THE OCCUPATIONAL PENSION SCHEMES
(MINIMUM FUNDING REQUIREMENT AND ACTUARIAL VALUATION) REGULATIONS 1986

Name of scheme: THE ITB PENSION FUNDS – THE CLOSED FUND

Effective Date of valuation statement: 31 MARCH 2000

1. Security of accrued rights - In my opinion, the Scheme's assets existing on the effective date fully cover its liabilities as at that date with no exception.

2. Security of prospective rights - In my opinion, the resources of the Scheme are likely in the normal course of events to meet in full the liabilities of the Scheme as they fall due. In giving this opinion, I have assumed that no further contributions will be paid into the Scheme.

3. Summary of methods and assumptions used: As there are no contributing Members in the Closed Fund, the actuarial valuation is concerned only with the rights accrued to the valuation date and any improvements granted by the Trustees. The actuarial assumptions and valuation method adopted are those prescribed by the Inland Revenue in Statutory Instrument No. 412 of 1987 - Income Tax - The Pension Scheme Surpluses (Valuation) Regulations 1987.

Further details of the methods and assumptions used are set out in my actuarial valuation addressed to the Trustees dated 21 March 2001.

C D Daykin, FIA, Government Actuary's Department, New King's Beam House,
22 Upper Ground, London, SE1 9RJ

21 March 2001

ACTUARIAL STATEMENTS MADE FOR THE PURPOSES OF REGULATION 30 OF THE OCCUPATIONAL PENSION SCHEMES
(MINIMUM FUNDING REQUIREMENT AND ACTUARIAL VALUATION) REGULATIONS 1996

Name of scheme: THE ITB PENSION FUNDS – THE OPEN FUND

Effective Date of valuation statement: 31 MARCH 1998

1. Security of prospective rights - In my opinion, the resources of the Scheme are likely in the normal course of events to meet in full the liabilities of the Scheme as they fall due. In giving this opinion, I have assumed that the following amounts will be paid to the Scheme:

Members - Contributions at the rate of 5% of Pensionable Salaries, except for "Old Benefit" Members who contribute 4%. These contribution rates are currently reduced from the standard levels of 6% and 5% respectively, and the reduction has been assumed to continue until 31 March 2013.

Employer - Contributions at the rate of 5% of Pensionable Salaries until 31 March 2013, increasing to 16% of Pensionable Salaries thereafter. Employer contributions may be paid either in cash or met from the relevant Employer's allocated account as designated in accordance with the Trust Deed and Rules.

These contribution rates are subject to review at future actuarial valuations.

2. Summary of methods and assumptions used - The valuation method used is the standard actuarial method described as the "Entry Age Method". The objective of this method is to provide for benefits to be funded by contributions paid throughout a Member's active service at a rate which would be sufficient to finance the cost of a typical new entrant. The principal actuarial assumptions used for this valuation were that investment yields would in the long term exceed earnings increases by 1.5% a year, and would exceed pension increases by 3% a year.

Further details of the methods and assumptions used are set out in my actuarial valuation addressed to the Trustees dated 29 March 1999.

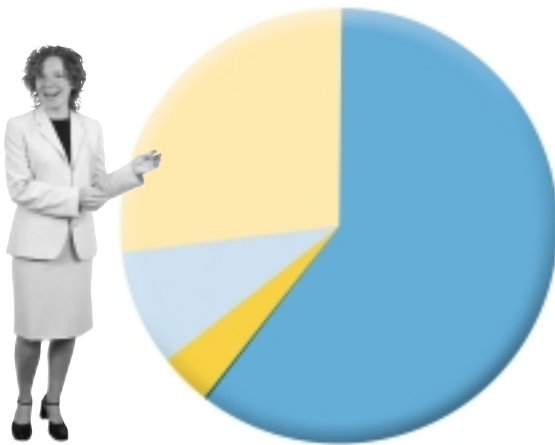
C D Daykin, FIA, Government Actuary's Department, New King's Beam House,
22 Upper Ground, London, SE1 9RJ

30 June 1999

Funds' income and

Open Fund
Source of Income 2000/01

Chart 4



Michelle Hughes,
Director's P.A.

- Net Profit on realisation of investments (62.1%)
£27,248,336
- Net Income from Investments including Bank
deposits (26.0%) £11,381,560
- Transfers received (8.2%) £3,623,871
- Members' Contributions (3.7%) (including AVCs)
£1,620,804
- Employers' Contributions (normal) (0.0%) £8,391
*During the year Employer contributions of £1,591,363
have been charged to Employer's surplus allocations.
Since these are internal transfers within Funds this
amount does not appear as income. This is explained
in more detail under Note 19 of the Financial
Statements.*

Occupational Pension Schemes (Requirements to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 require Trustees to prepare financial statements, for each financial year, which give a true and fair view of the financial transactions of the Scheme; of the amount and disposition of the Scheme's assets at the year end; and of the liabilities of the Scheme, other than liabilities to pay pensions and benefits after the end of the Scheme year. In preparing these financial statements Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- ensure that the financial statements are in accordance with the Audit Regulations and with the guidelines set out in the Statement of Recommended Practice, Financial Reports of Pension Schemes.

Trustees are responsible for keeping proper accounting records which accurately disclose the financial position of the Scheme to enable them to ensure the financial statements comply with the Audit Regulations. They are also responsible for safeguarding the assets of the Scheme and for taking reasonable steps for the prevention and detection of error, fraud or other irregularities.

Financial Statements have been prepared in accordance with the Regulations and are reproduced in full in pages 33 to 47. The Notes to the Financial Statements include the required statement regarding the Statement of Recommended Practice.

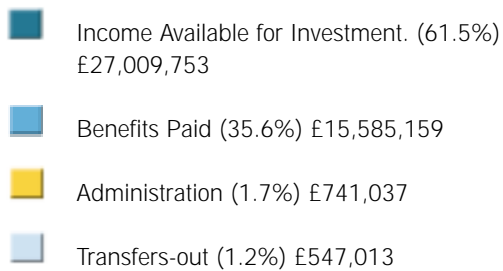
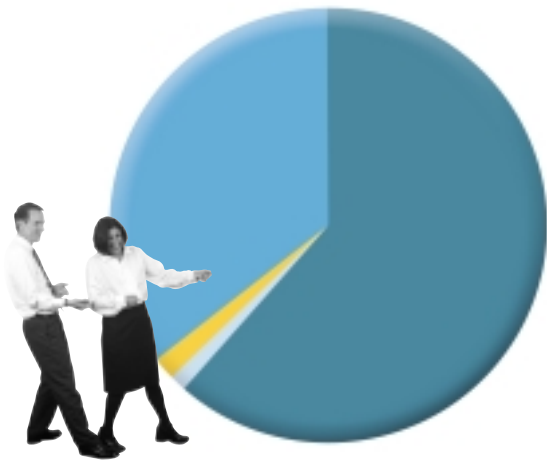
The way in which the income of the Open Fund, of £43,882,962 was made up is shown in Chart 4. The total net investment income consists of income from dividends, bank interest and profit on foreign exchange less Investment Managers' fees.

expenditure

Open Fund

Allocation of Income 2000/01

Chart 5



The total income of the Closed Fund of £7,550,809 was made up of net investment income of £5,159,413 and profits on the sale of investments of £2,391,396. The Closed Fund was required to raise an additional £1,601,904 from the sale of investments to meet expenditure commitments. The net investment income of the Closed Fund is made up in the same way as that for the Open Fund but with taxation also being deducted.

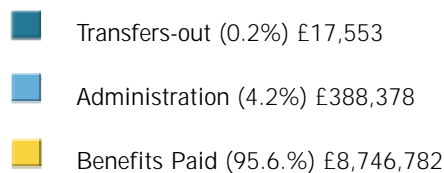
Charts 5 and 6 show how the total income of each Fund was allocated.

As required by the Pensions Act 1995 the Trustees have drawn up and agreed separate Statements of Investment Principles for the Open and Closed Funds. The investment policy set out in these Statements is described in this section of this Report. As required by the Act Members may request a copy of the Statement related to the Fund in which they participate by application in writing to the Funds' Office.

Closed Fund

Allocation of Income 2000/01

Chart 6



investment_{of} Funds

The Trustees employ four external Fund Managers who have discretion to invest the assets of the Funds within the Trustees prescribed guidelines.

Specialist investment managers are employed to manage discretionary portfolios for the Open Fund. They are: Fidelity Pensions Management Ltd, managing UK and Overseas Equities; Schroder Investment Management (UK) Ltd, managing UK equities only; Baring Asset Management Ltd, managing overseas equities only and Morley Fund Management Ltd, managing a collective fixed interest portfolio. As a consequence of the merger of Norwich Union plc and CGU plc, a new company, CGNU plc, came into existence. As a result Norwich Union Investment Management Ltd and Morley Fund Management Ltd – the fund management arm of CGU plc – integrated and now trade under the business name of Morley Fund Management Ltd.

Real property assets continue to be managed by Fletcher King.

Although the Trustees have delegated day to day management of the Schemes' investments to external managers, the custody (safe-keeping) of most of these assets is presently carried out independently of the managers.

The Closed Fund's portfolio of Index-Linked Gilts, the investment of which is advised by the Actuary and is entirely passive, is under the control of the Trustees. Fidelity Pensions Management Ltd is the manager for the Closed Funds' equity portfolio.

The overall expenditure of the Closed Fund continues to exceed total investment

income. However, expenditure is met only from the Fund's holdings in Index Linked stock. The difference between the interest on the Index Linked stock and expenditure is met from the money received from the redemption of stock which takes place at regular intervals.

The contribution income of the Open Fund continued to be insufficient to meet benefit payments and other expenditure. The balance was made up from investment revenue. This was expected and will continue whilst Employers' and Members' contributions are maintained at their current level.

As previously recommended by the Actuary a new long term strategic benchmark for the Open Fund was instituted. Stage one of the portfolio restructure was completed in the early part of the year when £31.2 million was transferred from the UK and overseas equity portfolios to the fixed interest portfolio. Stage two of the restructure was the transfer from the UK and overseas equity portfolio of £22.4 million to the property portfolio. This phased transfer to the property managers was completed shortly after the year end.

The aggregate value of the Funds' assets at 31 March 2001 was £713 million. To ensure the secure investment of these assets the Investment Managers and Trustees sign agreements which clearly set out the restrictions placed on the Managers. In the agreements, for example, there are prohibitions on lending assets, borrowing on the security of assets and buying shares not listed on a recognised stock exchange. There are also restrictions on the use of derivatives.

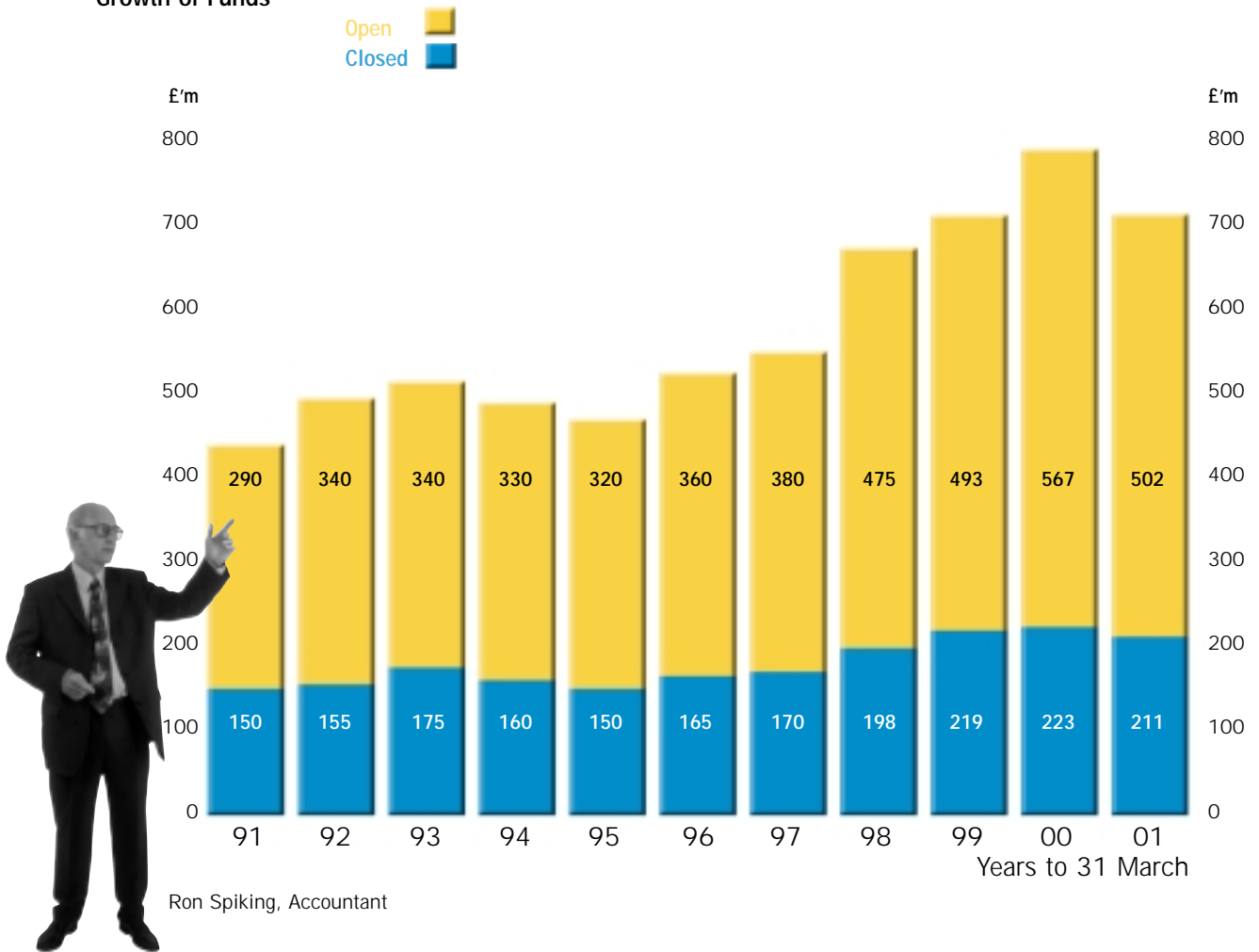
The size of each Fund and the growth achieved in the past ten years is demonstrated in Chart 7.

The Trustees' investment policy aims to maximise, over the long term, the return on the Funds' assets both in terms of capital and income growth. Although specific long term strategic asset

allocations are agreed by the Trustees, the Investment Managers are permitted to diverge from the strategic benchmark 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 their regular quarterly meetings.

Chart 7

Growth of Funds



The benchmark as at 31 March 2001 for the portion of the **Closed Fund** not invested in Index-Linked Gilts, was as follows:

Category	Benchmark allocation % (Market Values)
Fixed Interest	4
Overseas Fixed Interest	4
UK Equities	58
Overseas Equities	34

The benchmark adopted by the Trustees at 31 March 2001 for the **Open Fund** was as follows:

Category	Benchmark allocation % (Market Values)
Fixed Interest	15
UK Equities	50
Overseas Equities	25
Property	10

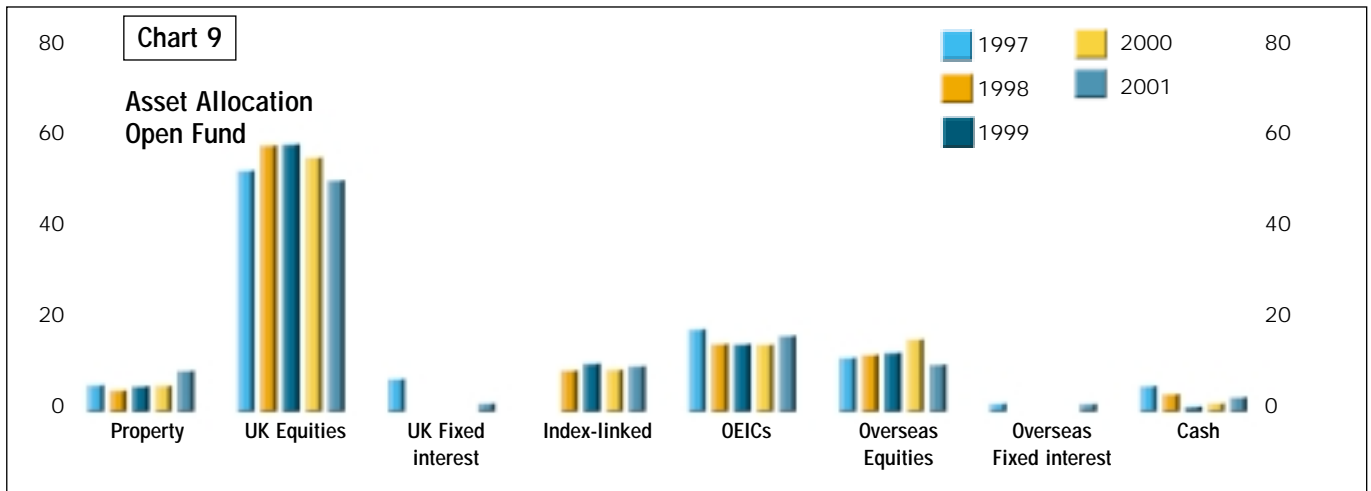
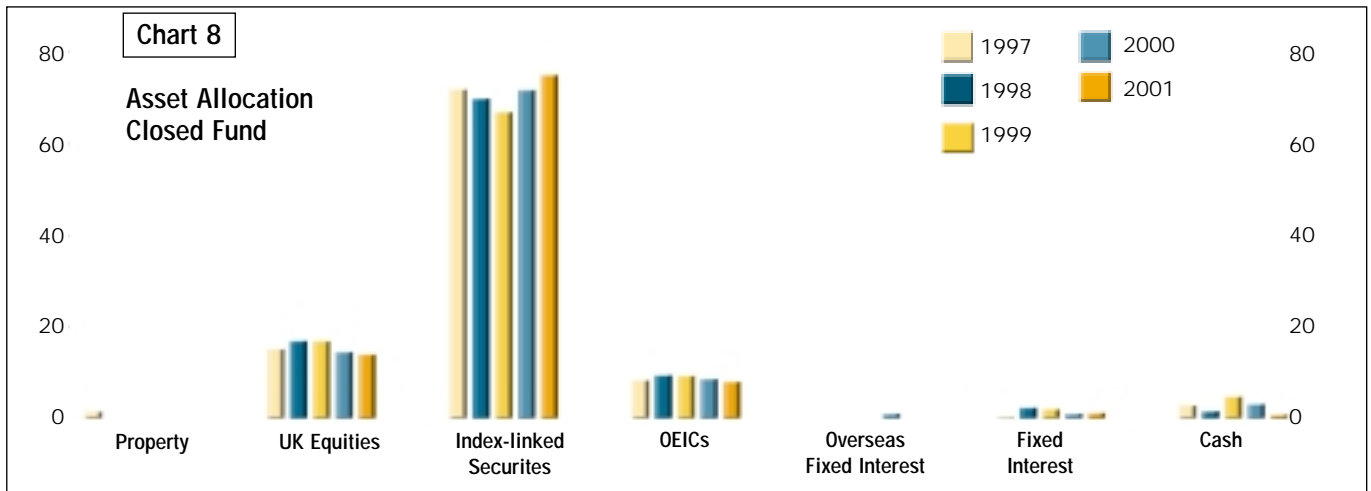
At the end of March 2001, the Funds' investments were allocated between the following categories.

Closed Fund	Market Value £000's	Proportion of Market Value %	Open Fund	Market Value £000's	Proportion of Market Value %
UK Securities			Commercial Property	43,273	8.7
Fixed Interest	1,997	0.9	UK Securities		
Index Linked	158,327	75.1	Index Linked	54,432	10.9
Equities & Convertibles	29,481	14.0	Fixed Interest	8,848	1.8
Overseas Fixed Interest	2,515	1.2	Equities & Convertibles	243,860	48.9
Open Ended Investment Companies (OEICs)	16,862	8.0	Overseas Fixed Interest	2,366	0.5
Bank Deposits & Foreign Exchange	1,640	0.8	Overseas Equities	50,041	10.0
			Open Ended Investment Companies (OEICs)	80,337	16.1
			Bank Deposits & Foreign Exchange	15,427	3.1
	210,822	100.0		498,584	100.0

The Overseas Equities for both Funds consist of holdings in Europe, North America and the Far East.

The holdings in Open Ended Investment Companies (formerly Unit Trusts) are run by the Funds' Investment Managers which hold shares in the Pacific Basin, Europe and the USA.

The changes in asset allocation made since 1997 are shown in Charts 8 and 9.



Concerns over the oil price and the economic performance of markets globally, resulting from the US downturn, had a negative effect on the value of the portfolio during the year of almost 10%. Company profits warnings also affected US and UK equity shares.

It was an extreme year which saw a sharp reversal in the value of technology shares with concerns that share prices were being artificially driven up and were unsustainable.

Weakening market conditions in the latter part of the year further countered any recovery in portfolio values. As it transpired the markets of continental Europe were more resilient, though progressive weakening of the Euro against Sterling presented a considerable challenge for UK exporting companies.

Institutional demand for property continued to be strong and this had a consequential reduction in the flow of suitable property available.

The ten holdings in equities and unit trusts which had the highest value at 31 March 2001 for each Fund, were as follows:

Closed Fund

Holding	Description	Book Cost (£)	Market Value (£)
3,492,400	Fidelity Institutional Europe Fund	4,318,427	6,449,356
2,523,408	Fidelity Institutional America Fund	3,190,536	4,549,705
3,902,235	Fidelity Institutional South East Asia Fund	3,044,060	3,112,813
2,083,372	Fidelity Institutional Japan Fund	2,061,744	2,700,050
1,346,000	Vodafone Airtouch Ord USD 0.10	3,227,196	2,597,000
9,320,058	Fidelity Institutional International Bond Fund	2,436,936	2,514,551
361,000	BP Amoco Ord 0.50 US\$	1,395,943	2,101,020
5,700,494	Fidelity Institutional Long Bond Fund	1,634,210	1,996,883
99,320	GlaxoSmithKline Ord 25p	1,227,039	1,828,481
138,950	HSBC Holdings Ord 10 HKD	888,186	1,172,738

Open Fund

Holding	Description	Book Cost (£)	Market Value (£)
10,350,547	Vodafone Airtouch Ord USD 0.10	22,459,059	19,976,556
10,242,204	Fidelity Institutional Europe Fund	12,542,981	19,060,742
2,906,054	BP Amoco Ord 0.50 US\$	8,349,590	16,913,234
901,862	GlaxoSmithKline Ord 25p	8,648,306	16,603,279
8,972,439	Fidelity Institutional America Fund	13,195,126	16,177,309
11,216,565	Fidelity Institutional Japan Fund	12,292,663	14,536,669
15,418,174	Fidelity Institutional South East Asia Fund	11,119,680	12,299,078
1,180,475	HSBC Holdings Ord 10 HKD	6,596,371	9,963,209
296,300	AstraZeneca Group Ord USD 0.25	7,334,505	9,955,680
1,445,300	Shell Transport & Trading Co Ord 25 p	4,232,291	7,862,432

It will be seen, by comparing the values of the holdings listed above with the total value of each of the two portfolios listed on page 20 that no individual share holding forms more than 5% of the total value of each Fund's investments. The ITB Pension Funds' assets are invested in accordance with the Occupational Pension Schemes (Investment) Regulations 1996. The Fund does not invest in any of the participating Employers businesses.

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

comparative investment performance

The investment performance of both the Closed and Open Funds continues to be monitored by Combined Actuarial Performance Services Ltd (CAPS), an independent investment performance monitoring service which monitors the performance of over 3,500 pension fund portfolios. For this purpose the Closed Fund and the Open Fund are treated separately and separate reports are provided in respect of each Investment Manager.

The new asset allocation agreed during the year 2000 is now in place. Consequently, we no longer compare the performance of the Funds to the median fund measured by CAPS, because the Funds asset allocation does not match the average pension fund. The relevant benchmark return for the Open Fund this year was -9.5% whereas the Fund actually achieved a return marginally better than this of -9.4%.

The period reviewed in the most recent full report relates, therefore, to the year ended 31 March 2001. In addition, Watson Wyatt Worldwide also provide an overview for each Fund and present all the year end reports at a meeting of the Trustees' Investment Committee.

The Closed Fund achieved a return of -0.3% against the relevant benchmark of -0.6%. The overall performance of the Closed Fund reflected its large holding in Index Linked Gilts.

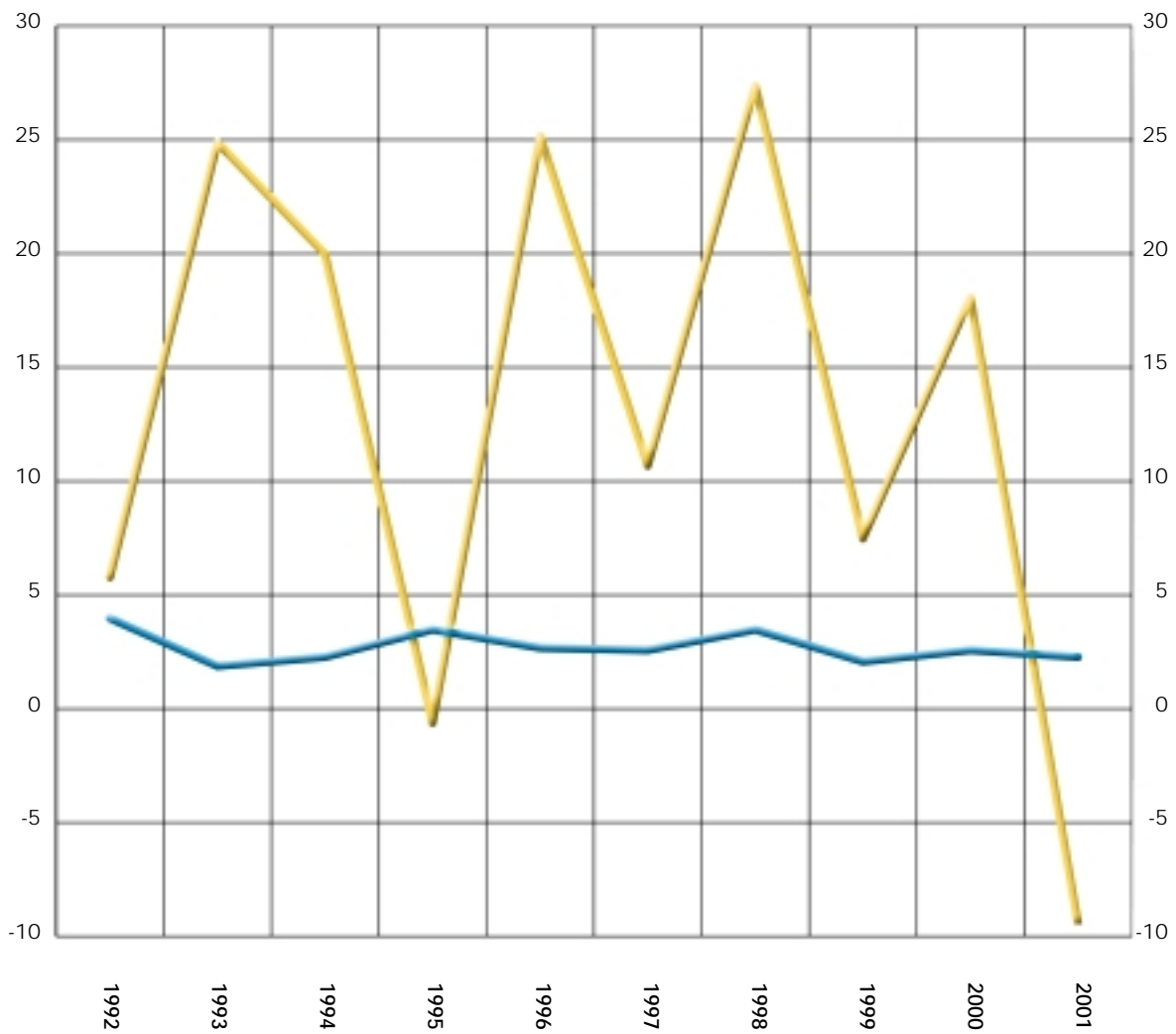
Investment performance is closely monitored by the Trustees. Benchmarks are based on various indices and the investment managers are set appropriate performance targets so as to ensure, that as far as is practicable, the Funds perform in line with the strategic benchmark.

Chart 10 overleaf shows the rate of return on all assets achieved by The ITB Open Fund (income and capital appreciation combined) in the recent past, compared with the increase in prices, as measured by the Retail Price Index. Past returns are, of course, no guarantee of future performance.

Chart 10

(Years to the 31 March)

Rates of Return



ITB Pension Fund
Retail Price index

trusteeship

Appointment of Trustees

The ITB Pension Funds are controlled by 18 Managing Trustees consisting of nine Employer, seven Member and two Pensioners' Trustees. Details of the Trustees in office at the year end are shown on pages 4 and 5 of this Report.

Nine Trustees are nominated by Employers. The two Statutory Training Bodies each nominate one Trustee. Of the remaining Employers, the six with the largest number of contributing Members at 31 December each have a right to nominate an Employer Trustee for the year commencing on the following 1 April. Where an Employer has one or more wholly owned subsidiaries those subsidiaries have no right to nominate Trustees but the Members in their employ are added to the principal Employer's Members for qualification purposes.

Employers not qualifying, by virtue of their size, to nominate a Trustee may secure representation in one of two ways. The Successor Bodies to one Training Board may join together for the purpose of Trustee nomination, and if necessary, the total number of Members employed by all such Employers would count towards the qualifying number. Alternatively, the Employers concerned will co-operate in nominating a Trustee, as is currently the case.

Contributing Members employed by each of the six Employers with the largest number of Members are entitled to nominate one Trustee each by ballot, except where an Employer recognises a Trade Union for the purpose of negotiating terms and conditions of service then the Trade Union concerned nominates the Trustee.

The Members of all remaining Employers elect one further Trustee by ballot.

Changes in the numbers of Members employed by British Polymer Training Association meant that they were not entitled to nominate a Member Trustee after 31 March 2000.

As a result Lantra Trust were entitled to nominate a Member Trustee as from 1 April 2000.

Pensioners and Members with preserved pensions who are in the Closed Fund nominate a Trustee by ballot. Similarly, such Members in the Open Fund also nominate a Trustee by ballot.

A Trustee may resign as a Trustee at any time and will automatically vacate office if he or she ceases to fulfil the eligibility qualifications. In addition a Trustee will immediately vacate office upon becoming bankrupt or of unsound mind. The Managing Trustees have power by resolution of deciding upon a Trustee's appointment if in their opinion the individual concerned has been guilty of misconduct or is otherwise unfit or unable to carry out his or her duties.

CHANGES DURING THE YEAR

Member Trustees

Mr. T.L. Oliver, the Member Trustee for British Polymer Training Association relinquished his appointment on 31 March 2000 because his Employer is now one of the smaller Employers. As from the 1 April 2000, Members employed by Lantra Trust take the place of British Polymer Training Association in being able to appoint a Member Trustee. Accordingly, Mr. T.R. Howard was nominated to serve as Member Trustee for Lantra Trust.

Mr. P. Cook, the Member Trustee for RGIT Montrose Ltd, left service on 7 July 2000 and was replaced by Mr. D.L.W. Taylor.

Mr. C.E. Clarke, the Member Trustee for CAPITB plc, left service on 31 July 2000 and was replaced by Mr. W.R. Grills.



CHANGES DURING THE YEAR

Employer Trustees

Mr. G.B. Edward was elected Employer Trustee for CAPITB plc on 7 July 2000 to replace Mr. T. Edge.

Chairman

Mr. N.N.W. Dunlop's period of office is due to end on 31 March 2003.

Deputy Chairmen

The periods of office of the two deputy Chairmen, Mr. G. Beveridge and Mr. C.B. Lang end on 30 September 2002.

Trustee Training

On appointment new Trustees are encouraged to attend a Trustees' training course organised by outside providers. In addition an annual Training Seminar is organised internally.

review of principal activities

The sustained emphasis on existing legislative requirements and the need to comply with new legislation concerning Pension Sharing on Divorce, Stakeholder Pension provision, Part-Time Workers Regulations and also the implications of proposed changes to the way pension Schemes should operate their investment arrangements produced for the Government in the Myners Report, has demanded close and disciplined attention.

Pensions on divorce

The Welfare and Pensions Reform Act 1999 and the associated regulations allow the Courts to impose Pension Sharing Orders on pension schemes. These Orders will be part of the outcome of divorce proceedings. The new law applies to divorces where proceedings started on or after 1 December 2000 and will be an option open to all couples who petition for divorce after that date. Whilst this legislation overrides pension scheme rules the implications of how a Pension Sharing Order would be applied on the administration requirements of your Funds was given detailed consideration by the Trustees and Rule amendments were approved.

Stakeholder pensions

In April 2001 the Government introduced Stakeholder Pensions. Mainly intended for people who do not have access to an employer's pension scheme, Stakeholder Pensions provide broadly similar benefits to personal pension schemes. From 1 October 2001 the Government requires that employers make available a

Stakeholder Pension to certain employees who do not have access to an occupational pension scheme. They are also available to ITB Pension Fund Members if in active membership provided they earn £30,000 p.a. or less. They can concurrently contribute to a Stakeholder Pension up to a maximum of £3,600 in a relevant tax year. The ITB Pension Funds Office has been liaising with participating Employers on how they address the Government's requirements and an independent report and recommendation on designated Stakeholder providers was commissioned. The Trustees approved rule changes to permit eligible employees to join the Open Fund upon attaining age 18; and give Employers the option to admit to membership non-permanent employees.

Part-time workers

With effect from 1 July 2000 the Part-Time Workers (Prevention of Less Favourable Treatment) Regulations 2000 gave part-time workers the right not to be treated less favourably than comparable full-time workers. The effect of the Regulations was that part-time workers now have the right to join a pension scheme if similar full-time workers have that right. There was no provision for exemption of employees who work very short hours. Consequently, Rule changes were made to enable Employers and Trustees to comply with the new regulations. The consequence of the Rule change was that no minimum number of hours may be imposed by Employers, where previously the Rules allowed part-time employees to become Members only if their Employer agreed.

Benefit improvements

The favourable result of the actuarial valuation of the Closed Fund carried out as at 31 March 2000 again enabled the Trustees to make further benefit improvements from the surplus. The results and the amounts of the surplus for distribution, together with details of the increases to benefits were announced in the January 2001 edition of 'Pension News'. Also included were details of supplementary benefit improvements which complemented those arising from the surplus arising out of the valuation of the Open Fund as at 31 March 1998.

Actuarial valuation

Also announced were details of the supplementary increases stemming from the Open Fund surplus distribution as at 1 April 1999 and work on the production of data for the next valuation as at 31 March 2001 is already underway.

New initiatives

Technology is transforming the workplace and the search continues for new technological efficiencies which will enable the ongoing development of first class support services to our membership and Employers.



increases in pensions

Under the Rules of the ITB Pension Funds, pensions in payment are guaranteed to increase as if they were official pensions to which the Pensions (Increase) Act 1971 (as amended) applied. This is the Act under which Civil Servants' and other Government employees' pensions are increased. The provisions of the Act effectively increase pensions by the same amount and from the same date that the additional component of the State Earnings Related Pension Scheme (SERPS) is increased. Increases are currently granted in April each year and reflect the rise in the Retail Price Index during the year which ends in the September of the preceding year and which is announced in the October of that year.

The provisions of the Rules relating to increases in pensions apply equally to preserved pensions which receive increases for the period from the date of leaving to the date payment begins as well as thereafter.

This method of revaluation in deferment and increases in payment ensures that the Funds comply with requirements of the Pensions Act 1995 concerning increases to pensions. The ITB Pension Funds' method of increasing pensions has always exceeded the minimum legal standards.

Guaranteed increases have been granted to pensions under The ITB Pension Funds since 1971 and details of the most recent increases are as shown in the table above.

All Members of The ITB Pension Funds have been contracted-out of the SERPS since 6 April 1978. For pre 6 April 1997 pensionable service the Funds must provide any Member whose service ceased after that date with a pension which is at least equivalent to a member's

Date of Increase	Increase %
6 April 1992	4.10
12 April 1993	3.60
11 April 1994	1.80
10 April 1995	2.20
8 April 1996	3.90
7 April 1997	2.10
6 April 1998	3.60
12 April 1999	3.20
10 April 2000	1.10
9 April 2001	3.30

Guaranteed Minimum Pension (GMP). The GMP approximates to what a Member would be entitled to under SERPS and it is part of the total pension entitlement under the Scheme. GMP's do not accrue for post 5 April 1997 Pensionable Service and instead the Open Fund passes the reference Scheme test for salary-related contracted-out Schemes set out in the Pensions Schemes Act 1993.



The ITB Pension Funds are responsible for increasing a member's GMP in line with inflation until the member reaches State Pension Age (60 for women and 65 for men); from that date the State Scheme assumes responsibility for increasing that part of a GMP which was earned during service prior to 5 April 1988. The portion of the GMP earned between 6 April 1988 and 5 April 1997 is increased partly by the Funds and partly by the State Scheme. The ITB Pension Funds have the responsibility to increase the latter portion of the GMP by the lesser of the RPI and 3%. If prices have increased by more than 3% the balance of the increase due on the GMP will be paid by the State. Pension earned in respect of Pensionable Service after 5 April 1997 will be increased entirely by the ITB Pension Funds.

On attaining State Pension Age, Members are advised by the Department of Work and Pensions (DWP) of the amount of the GMP which will be paid by the Funds as part of their total pension. The Department will also confirm that subsequent cost of living increases on the GMP will be payable by the Department by making the necessary addition to the member's basic State pension.

Spouses' pensions which include a GMP have that GMP inflation protected by the State irrespective of age.

It is important to note that for pensions actually being paid an increase is not payable where the recipient is below the age of 55. Where a pension is paid to someone below that age (for example, a compulsory retirement pension granted on redundancy), the increase is withheld, but on reaching the age of 55 the increase then made (on future instalments of pension only) will reflect all the increases since the date the pension first became payable. This age restriction does not apply if the pensioner retired on disability grounds, or if the pension is a widow's or children's pension.



Closed Fund Qualification for Membership

As a matter of record the Closed Fund was established in April 1983 after the Government had dissolved 16 Training Boards. Members employed by these Boards, and all other Members who had left service before 1 April 1982, became Members of the Closed Fund. Certain Members, (employed by Road Transport ITB, Petroleum ITB, Rubber & Plastics ITB and Agricultural Training Board) were also placed in the Closed Fund at the instigation of their Employer with the special agreement of the Government, if their employment had been terminated as a direct result of Government action which caused the reduction in the scope of their Board. Membership of the Closed Fund is fixed by a Memorandum of Agreement and the Rules cannot be changed.

transfer of benefits

The policy of the Trustees towards making a transfer payment when a Member of the Funds leaves the service of an Employer has always been that such a payment should be available provided that after the transfer has been concluded the Funds should retain no further liability. Members have a statutory right to request a statement of transfer value once every twelve months.

The Pension Schemes Act 1993 gives Members who have left a pension scheme a statutory right to a transfer value in respect of their accrued benefits under the Schemes, which must be calculated according to regulations made under the Act. Such transfer values can be paid to the occupational scheme of the Member's new employer, to a personal pension scheme, or into an insurance company policy. All transfer values paid during the year were calculated and verified in the manner prescribed under those Regulations and make no allowance for discretionary benefits

Members who leave service and are granted a preserved pension may therefore elect to have their benefits transferred to another pension scheme, or an insurance policy, at any time thereafter subject to the transfer being completed not less than one year before Normal Retirement Date.

The rights granted to Members either by Statute or by the Rules do not extend to Members who have already started to receive their pension.

Legislation introduced by the Pensions Act 1995 includes requirements which govern the way in which schemes calculate transfer values. The Trustees along with the

Schemes Actuary have reviewed the way transfers in to and out of the Fund are calculated to ensure that they are consistent with those requirements. This was achieved by adopting the requirements of the Act as the basis for calculation of all transfers.

Benefits in the ITB Pension Funds for transfers-in continue to be expressed as additional periods of pensionable service.

As was reported last year, the Trustees, in common with most other pension schemes, decided that they would defer the acceptance of any transfer-in which imposed a liability on the Funds to provide a Guaranteed Minimum Pension (GMP) or equivalent until a legal technicality to do with the equalisation of GMP retirement ages became clear in law. To continue to accept such transfers might adversely affect the liability being accepted. It had been hoped that this issue would soon be resolved and that transfers could continue as normal, but this has proved not to be the case and a legal remedy continues to be awaited. In accordance with advice received from the Trustees legal and actuarial advisers the ITB Pension Funds' Office continues to defer receipt of any transfer-in which includes a GMP liability, until the matter of the equalization of GMPs has been resolved. The matter also has implications for deferred Members wishing to arrange a transfer from the ITB Pension Funds to their new pension arrangements, as the receiving scheme may not also be prepared to accept the liability to provide a GMP imposed by accepting the ITB Scheme transfer.



Katrina Booth,
Senior Pensions
Administrator

financial statements

auditors report

to the Members, dependants of former Members, managing trustees and participating employers of the ITB Pension Funds

We have audited the financial statements on pages 35 to 47 which have been prepared in accordance with the accounting policies set out on pages 37 to 38 including the incorporation of investment assets at valuation.

Respective responsibilities of Trustees and Auditors

As described above the Trustees are responsible for the preparation of financial statements. It is our responsibility to form independent opinions based on our audit on those statements and to report our opinions to you.

Basis of opinions

We conducted our audit in accordance with Auditing Standards 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 the Trustees 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. The work that we carried out 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.

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 payable to the scheme have been paid in accordance with the Scheme Rules and with the recommendations of the Actuary. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinions

In our opinion the financial statements give a true and fair view of the financial transactions of the Scheme during the year ended 31 March 2001 and of the amount and disposition at that date of its assets and liabilities other than liabilities to pay pensions and benefits after the end of the scheme year, and contain the information specified in Regulations 3 and 4 and the Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996.

In our opinion, contributions payable to the Scheme during the year to 31 March 2001 have been paid in accordance with the Scheme rules and with the recommendation of the Actuary, subject to minor instances of contributions from certain employing companies which were received outside the time limits required by the Pensions Act 1995, as detailed in note 4.

CHANTREY VELLACOTT DFK
Chartered Accountants and Registered
Auditors
WATFORD
9 August 2001

Statements of Income & Expenditure

for the year ended 31 March 2001

	Notes	Closed Fund 2001 £000's	Open Fund 2001 £000's	Combined Fund 2001 £000's	Combined Fund 2000 £000's
Income					
Members' contributions	3d,17	-	1,621	1,621	1,587
Employers' contributions	3d,19	-	8	8	706
Excess costs arising from compulsory retirement pensions	3d	-	-	-	9
Transfers from other schemes	5	-	3,624	3,624	1,459
		-	5,253	5,253	3,761
Expenditure					
Retirement and death benefits	6	8,747	15,539	24,286	22,904
Withdrawals:					
Transfers to other schemes		18	547	565	237
Contribution refunds		-	45	45	47
Administration costs	7	389	742	1,131	1,522
		9,154	16,873	26,027	24,710
Net withdrawals from dealings with Members		(9,154)	(11,620)	(20,774)	(20,949)
Returns on investments					
Investment revenue	8	5,572	13,844	19,416	18,811
Net loss arising on foreign exchange	10	(1)	(281)	(282)	(251)
Taxation	11	(274)	-	(274)	(598)
Change in market value of investments	12	(8,066)	(65,012)	(73,078)	84,455
Investment managers' fees	9	(261)	(2,183)	(2,444)	(2,534)
Net returns on investments		(3,030)	(53,632)	(56,662)	99,883
Net increase in the funds during the year		(12,184)	(65,252)	(77,436)	78,934
Net assets as at 31 March 2000		223,436	566,844	790,280	711,346
Net assets as at 31 March 2001		211,252	501,592	712,844	790,280

The notes on pages 37 to 47 form part of these financial statements

net assets statements

31 March 2001

	<i>Notes</i>	Closed Fund 2001 £,000s	Open Fund 2001 £,000s	Combined Fund 2001 £,000s	Combined Fund 2000 £,000s
Investments	12	210,822	498,584	709,406	790,225
Fixed Assets	13	-	102	102	111
		210,822	498,686	709,508	790,336
Current assets					
External	14	1,820	8,173	9,993	5,257
Inter-fund balance	14	-	10	10	9
		1,820	8,183	10,003	5,266
Current liabilities					
External	15	1,380	5,277	6,657	5,313
Inter-fund balance	15	10	-	10	9
		1,390	5,277	6,667	5,322
Net current assets/(liabilities)		430	2,906	3,336	(56)
Net assets as at 31 March 2001		211,252	501,592	712,844	790,280

The financial statements were approved by the Managing Trustees on 6 July 2001.

N.N.W. Dunlop CBE Trustee

C.B. Lang Trustee

The notes on pages 37 to 47 form part of these financial statements

notes to the financial statements

for the year ended 31 March 2001

37

1. Organisation of the Funds

The financial statements reflect the Actuary's report dated 22 January 1985 regarding the apportionment of assets between the Closed and Open Funds. This apportionment of the market value of the assets was made on 1 April 1985.

The Closed Fund relates to former employees of discontinued Industrial Training Boards; all employees of continuing Boards whose service ceased before 31 March 1982; and, certain other employees of those Boards whose service ceased before 31 March 1983 and whose membership was specifically agreed with Government.

2. Actuarial Valuations

The Trustees have received and adopted the valuation Report by the Actuary on the Closed Fund as at 31 March 2000 and on the Open Fund as at 31 March 1998 (see note 19).

The Reports on the Closed Fund for 2000 and on the Open Fund for 1998 concluded that the assets in both Funds would be adequate to meet the liabilities on the basis of the assumptions made.

An actuarial valuation of the Open Fund as at 31 March 2001 is awaited.



3. Accounting Policies

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 and with the guidelines set out in the Statement of Recommended Practice, Financial Reports of Pensions Schemes.

The financial statements summarise the transactions of the Funds and deal with the net assets at the disposal of the Trustees. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Fund year. The actuarial position of the Fund which does take account of such obligations, is dealt with in the statements by the Actuary and these financial statements should be read in conjunction with them.

a) Basis of Preparation

These financial statements have been prepared on an accruals basis, that is, income and expenditure is recognised as it is earned or incurred, not as it is received or paid except in relation to certain withdrawal benefits - see 3 i) below.

b) Valuation of Assets

All investments, other than commercial property, are valued at their market value at 31 March 2001 determined as follows:

i) Listed securities are valued at last traded price or mid-market price ruling at the balance sheet date.

ii) OEICs are stated at the mid-point of the latest prices quoted by the managers prior to 31 March 2001.

3. Accounting Policies (Cont'd)

b) Valuation of Assets (Cont'd)

iii) Investments held in foreign currencies have been valued on the relevant basis and translated into sterling at the rate ruling at the balance sheet date.

iv) Properties were valued by Fletcher King, Property Asset Managers, at 31 March 2001, in accordance with the definition of open market value as defined in Practice Statement 4 of the Royal Institute of Chartered Surveyors' appraisal and valuation manual.

c) Forward Contracts for Foreign Currency

Forward contracts are valued at amounts which assume settlement at the spot rates ruling on 31 March 2001.

d) Contribution Income

Contributions relating to wages and salaries earned up to 31 March 2001 have been included in these financial statements.

Excess costs represent the actuarially determined additional liability to the Open Fund for providing pensions following compulsory retirements and these are due to the Open Fund from the relevant participating employers.

e) Investment Income

Dividend income and interest on Government stocks have been recognised on the ex-dividend date. Rents and interest income are recognised on a receivable basis.

f) Foreign Income

Foreign income has been translated into sterling at the rate ruling at the date of the transactions. Income due at the year end is translated at the rate ruling at 31 March 2001. All differences are taken to income and expenditure account.

g) Benefits Payable

Benefits payable include all valid benefit claims notified to the Trustees during the financial year.

h) Transfers Receivable

Certain Members of the Funds have transfer rights available to them from previous pension schemes. The value of such rights has only been taken into account where the sum to be transferred has been agreed by 31 March 2001.

i) Withdrawal Benefits

The transfer payments relate to those early leavers whose transfers have been agreed by the Trustees during the year. Included under withdrawal benefits are accruals of contributions and interest in respect of Members who left the Funds on or before 31 March 2001 and who were entitled to a refund of these.

j) Fixed Assets

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

furniture	10% per annum
equipment	20% per annum

4. Contributions Receivable

Contributions payable to the Open Fund during the year ended 31 March 2001 were paid in accordance with the Fund Rules (and the recommendation of the Actuary).

There were a total of 2 occasions where contributions from 1 Employer were received up to a maximum of 2 days outside the time limits required under the Pensions Act 1995. The Pension Fund has voluntarily reported the circumstances to the Occupational Pensions Regulatory Authority ("OPRA").

5. Transfers in

	2001 £000's	2000 £000's
Group transfers in	1,900	-
Individual transfers from other schemes	1,268	1,270
Individual transfers from Money Purchase scheme (see note 18)	456	189
	£3,624	£1,459

6. Retirement & Death Benefits

	Closed Fund 2001 £000's	Open Fund 2001 £000's	Combined Fund 2001 £000's	Combined Fund 2000 £000's
Retirement benefits				
Lump sums	207	1,646	1,853	1,588
Members' Pensions	6,768	12,447	19,215	18,517
Total retirement benefits	6,975	14,093	21,068	20,105
Death Benefits				
Lump sums	28	453	481	254
Dependants pensions	1,744	993	2,737	2,545
Total death benefits	1,772	1,446	3,218	2,799
	8,747	15,539	24,286	22,904
2000	8,776	14,128		



Pam Beacham,
Accounts
Assistant

7. Administration Costs	Closed Fund 2001 £000's	Open Fund 2001 £000's	Combined Fund 2001 £000's	Combined Fund 2000 £000's
Analysis				
General administration:				
Employment costs	134	238	372	394
Office accommodation	38	67	105	104
General expenses	112	180	292	298
	284	485	769	796
Professional services				
Auditor's fees	9	18	27	29
Legal services	15	80	95	493
Investment consultancy	1	3	4	45
Actuarial services	48	98	146	127
Other	32	58	90	32
	389	742	1,131	1,522
2000	377	1,145		

8. Investment revenue	Closed Fund 2001 £000's	Open Fund 2001 £000's	Combined Fund 2001 £000's	Combined Fund 2000 £000's
Income from fixed interest securities	-	565	565	-
Dividends from equities and convertibles	786	7,531	8,317	9,293
Income from index linked securities	4,144	1,576	5,720	5,181
Income from open-ended investment companies	416	633	1,049	1,036
Net rents from properties	-	3,130	3,130	2,469
Interest on cash deposits	226	401	627	822
Underwriting commission	-	8	8	10
	5,572	13,844	19,416	18,811
2000	5,675	13,136		

9. Investment manager's fees

Under the powers given to them under the Fund Rules, the Trustees delegate most investment management to external investment managers; the exception being the index linked gilt stock in the Closed Fund. The non property investments are managed by Baring Asset Management Limited, Fidelity Pensions Management Limited, Morley Fund Management Limited and Schrodgers Investment Management (UK) Limited, whose remuneration is calculated as a variable percentage of the market value of the assets under management. Properties are managed by Fletcher King who are remunerated on a normal commercial basis for property management, plus additional fees in respect of property purchases, sales and rent reviews.

10. Net loss arising on foreign exchange

The loss on foreign exchange comprises the change in the value of short-term deposits due to exchange rate movements. Profits on forward currency contracts during the year are included in change in market value of investments (note 12).

Summary	2001 £000's	2000 £000's
Closed fund	(1)	-
Open fund	(281)	(251)
	(282)	(251)

11. Taxation

The Funds are both "exempt approved schemes" for the purpose of Chapter 1 of Part XIV of the Income and Corporation Taxes Act 1988. However, exemption from tax on investment income and capital gains depends on there being no excess surplus in each fund.

No tax liability exists for the Open Fund, where benefit improvements have been granted from 1 April 1999 and a reduction in Members' and Employers' contributions have been allowed to 31 March 2013, thus ensuring that the Fund complies with the requirements of the Finance Act 1986.

The actuarial valuation of the Closed Fund at 31 March 2000 disclosed a substantial surplus. As a result, there is a liability to taxation on the income and capital gains of the Closed Fund in the proportion which the excess surplus bears to the entire Closed Fund.

Closed fund	2001 £000's	2000 £000's
Income tax	148	135
Capital gains tax	126	270
	274	405
Prior year adjustment	-	193
	274	598

12. Investments

	Closed Fund valuation 2001 £000's	Closed Fund cost 2001 £000's	Open Fund valuation 2001 £000's	Open Fund cost 2001 £000's
Commercial property:				
Freehold	-	-	41,688	38,572
Long leasehold	-	-	1,585	994
Fixed Interest				
Public sector UK	-	-	8,848	8,806
Non public sector UK	1,997	1,634	-	-
Others foreign	2,515	2,437	2,366	2,356
Equities (inc convertible shares)				
UK	29,481	27,359	243,859	204,445
Foreign	-	-	50,041	55,453
Index linked securities	158,327	116,278	54,433	51,342
OEICs (excl property) UK managed	16,862	12,615	80,337	65,750
Bank deposits	1,640	1,640	15,548	15,548
Forward currency contracts	-	-	(121)	-
Total at 31 March 2001	210,822	161,963	498,584	443,266
Total at 31 March 2000	223,091	163,649	567,134	419,555

<i>The movements in investments during the year were:</i>	Closed Fund 2001 £000's	Open Fund 2001 £000's	Combined Fund 2001 £000's	Combined Fund 2000 £000's
Market value at 1 April 2000	223,091	567,134	790,225	702,306
Purchases at cost	19,589	304,160	323,749	269,354
Disposable proceeds	(23,792)	(307,698)	(331,490)	(265,890)
Change in market value of investments	(8,066)	(65,012)	(73,078)	84,455
Market value at 31 March 2001	210,822	498,584	709,406	790,225
<i>Change in market value of investment comprises:</i>				
Profit on realisation of investments	2,517	27,739	30,256	46,466
Profit/(loss) on forward currency contracts	-	(490)	(490)	333
	2,517	27,249	29,766	46,799
Movements in unrealized profits	(10,583)	(92,261)	(102,844)	37,656
	(8,066)	(65,012)	(73,078)	84,455
2000	9,700	74,755		



Combined Fund valuation 2001 £000's	Combined Fund cost 2001 £000's	Combined Fund valuation 2000 £000's	Combined Fund cost 2000 £000's
41,688	38,572	29,918	27,007
1,585	994	1,585	994
8,848	8,806	-	-
1,997	1,634	2,329	1,879
4,881	4,793	2,262	2,305
273,340	231,804	337,576	251,193
50,041	55,453	87,120	64,089
212,760	167,620	211,099	162,189
97,199	78,365	100,403	55,615
17,188	17,188	17,933	17,933
(121)	-	-	-
709,406	605,229	790,225	583,204
790,225	583,204		

There are no investments in which more than 5% of the total value of the net assets of the Funds are invested.

Basis of valuation - as set out in note 3(b)

OEICs - Open-ended investment companies formerly detailed as unit trusts.

Commercial properties are mainly retail and office premises with review periods of five years.

13. Fixed Assets

	Cost £000's	Depreciation £000's
Balance at 1 April 2000	284	173
Additions	33	-
Disposals	(10)	(10)
Depreciation charge	-	42
Balance at 31 March 2001	307	205
Net book value: 31 March 2001	102	
Net book value: 31 March 2000	111	

14. Current assets	Closed Fund 2001 £000's	Open Fund 2001 £000's	Combined Fund 2001 £000's	Combined Fund 2000 £000's
Bank balances	138	140	278	251
Debtors:				
Amounts due from employers	-	132	132	122
Amounts due from brokers	463	3,220	3,683	1,341
Investment revenue receivable	1,193	2,677	3,870	3,331
Income tax receivable	23	48	71	89
Sundry debtors	3	46	49	45
Transfers receivable from other schemes	-	1,910	1,910	78
External current assets	1,820	8,173	9,993	5,257
Inter-fund balance	-	10		
Individual funds' current assets 2001	1,820	8,183		

	Closed Fund 2000 £000's	Open Fund 2000 £000's	Combined Fund £000's
External current assets	1,292	3,965	5,257
Inter-fund balance	-	9	
Individual funds' current assets 2000	1,292	3,974	

15. Current liabilities	Closed Fund 2001 £000's	Open Fund 2001 £000's	Combined Fund 2001 £000's	Combined Fund 2000 £000's
Withdrawal benefits:				
Transfers and contribution refunds	-	-	-	175
Amounts due to brokers	908	4,129	5,037	3,488
Taxation	258	-	258	303
Sundry creditors	214	1,148	1,362	1,347
External current liabilities	1,380	5,277	6,657	5,313
Inter-fund balance	10	-		
Individual funds' current liabilities 2001	1,390	5,277		

	Closed Fund 2000 £000's	Open Fund 2000 £000's	Combined Fund £000's
External current liabilities	938	4,375	5,313
Inter-fund balance	9	-	
Individual funds' current liabilities 2000	947	4,375	

16. Financial commitments

Currency commitment

At 31 March 2001 there were £9,312,300 forward currency transactions (2000 - £Nil) due for settlement in April - June 2001.

17. Member credited service

Additional voluntary contributions (AVCs) made to purchase added years under the principal scheme of £85,084 (2000 - £94,183) during the financial year are shown in the income of the Open Fund and the assets acquired with the AVCs are included in the net assets statement.

18. Money Purchase Scheme

Additional voluntary contributions were receivable for separate investment with an insurance company for the benefit of individual Members. These Members receive details of their investments directly from the insurance company concerned and the investment and income are not treated as part of the Open Fund's assets and income as shown in the financial statements.

On retirement Members converted their money purchase investments to provide additional benefits under the main scheme. Such transfers of investments are included in transfers from other schemes on page 35.

Administration cost

All administration is provided by the ITB Pension Funds and no costs fall upon the Money Purchase Scheme.



<i>The amounts involved during the year were:</i>	2001 £000's	2000 £000's
Fund as at 1 April 2000	1,473	1,326
Members' AVC contributions	232	242
Interest credited by Scottish Life Assurance Company	81	93
	1,786	1,661
Transfers to main Fund	456	189
Fund as at 31 March 2001	1,330	1,472

The monies held under the Money Purchase Scheme are invested in the Scottish Life Deposit Administration Fund which currently pays interest at the gross rate of 6.5%.

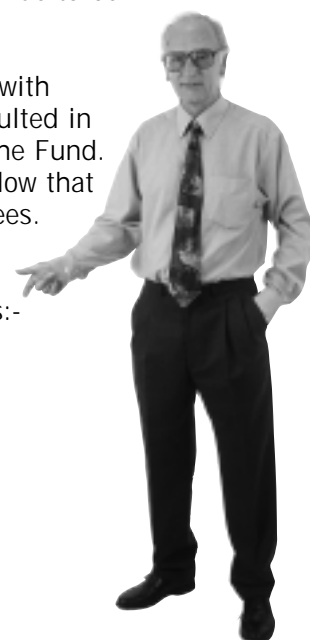
19. Distribution of the 1998 Actuarial Surplus of the Open Fund

The 1998 Actuarial Valuation found that the Open Fund had an actuarial surplus of £101.1 million including the undistributed surplus from the 1995 Actuarial Valuation. In computing this figure the actuary assumed 5% contributions would continue to be made by both Employers and employees.

During the year ended 31 March 2000 the Trustees reached an agreement with the Employers on the way the 1998 surplus should be dealt with which resulted in £40.2 million being allocated to individual Employers but retained within the Fund. The Employers are able to use this amount to reduce their contributions below that of Members and/or grant further benefit improvements to their own employees.

Under this arrangement the following amounts otherwise receivable by the Trustees have been charged to the surplus funds allocated to the Employers:-

	2001 £000's	2000 £000's
Members' contributions	33	-
Employers' contributions	1,591	798
Excess costs	3,493	3,559



These charges are to the Employers' surplus allocations and no monies are paid. The amounts quoted are an allocation of the actuarial surplus, not of financial assets and they do not therefore appear elsewhere in these financial statements.

