



The ITB Pension Funds



INVESTOR IN PEOPLE

Trustees' Report and Financial Statements 2004-2005

04
05

Scheme Reference No. 10169800



Skills for Logistics

The ITB Pension Funds, consists of the Open and Closed Fund, are set up under a Trust Deed and Rules and administered by a Board of Trustees comprising of Member, Pensioner and Employer Trustees. The assets of the Funds are separate from those of its Participating Employers and in the case of the Open Fund, are invested by independent investment managers who are appointed by the Trustees. The Closed Fund has no Participating Employers with active members and is predominantly invested in Index-Linked Gilts.

Employees of the Participating Employers may join the ITB Pension Funds (Open Fund) subject to eligibility conditions. The Open Fund is a “final salary scheme” and provides pension and life assurance benefits based on a Member’s salary and service. With effect from 1 September 2003 the Open Fund consisted of two separate sections; the existing section at that time known as the ‘Old Section’ and the ‘New Section’ which was introduced for those Employers electing to provide a revised level of benefits.

Trustees' Report

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Trustees' Report

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Chairman's Statement

Over the past several years as Chairman of the Trustees I have remarked in my yearly reports on the increasing challenges and workload that your Trustees and the Funds' staff have had to deal with in both legislative and investment matters. This past year has been even more demanding as I will explain further in this report. Since pensions and related matters are nowadays of such concern to pension fund members, I would like to advise you at the outset that, whilst in my report to you last year I was able to state that the ITB Pension Funds' assets had increased in value, I am pleased to say that over this past year there have been further increases in the value of both the Closed and Open Funds.

During this Scheme year the Funds' Actuary carried out the triennial Actuarial Valuation of the Open Fund. Based on data available at the 31 March 2004, the results of his study indicated that there had been a reduction over the three years in the Open Fund surplus on an ongoing actuarial basis. This was not unexpected since in two of the three years being considered there had been falls in the value of the Funds' equity assets due to weaknesses in financial markets world-wide. The result of this has been to cut back the period over which Member and Participating Employer contributions may be paid at current levels to June 2010 for Members and at varying dates for Participating Employers but on an average until June 2008 (previously for both until March 2014). However, I am pleased to report to you that on an ongoing basis, the Open Fund remains in a healthy position. This will be reported in greater detail in an "ITB Pension News" scheduled for issue early in our next financial year 2005/06.

As is usual on completion of the Actuarial Valuation, the Funds' Actuary was requested to carry out an Asset and Liability assessment study based on the Open Fund's present investments. This assessment involved a detailed investigation of a number of investment strategies and the selection and proposing of the strategy which is expected to be

the most suited to the Fund's needs in meeting its anticipated liabilities over the next ten or so years. I can advise you that the strategy selected closely resembled the strategy already in place and after some minor adjustments, will be implemented once the necessary consultations with our investment managers, investment consultants and the Participating Employers has been completed.

It goes without saying that a Final Salary-or Defined Benefit- scheme such as the Open Fund, will only succeed in the medium to long term if the underlying asset investment performance is able to meet expectations where the principal requirement of the strategy is the achieving of growth in value of the assets while maintaining security of our investments. Whilst there is nothing that the Trustees can do to impact on the overall performance of the investment and financial markets, what is in their control is the investment strategy. Together with the Fund's investment managers and advisers, the Trustees continue to closely monitor these investments in a structured and disciplined way. We remain flexible in our approach, recognising that being aware of movements in the financial markets and implementing changes in our investment policy, where deemed necessary, is key to the Fund's future success.

As mentioned earlier, the Closed Fund has increased in value over this past year and there will be an Actuarial Valuation of the Fund carried out next year based on the value of assets and liabilities on the 31 March 2006. The results will be published later in that year.

The Trustees' Statements of Investment Principles (SIP) embodies our investment approach and the current SIP can be found on the ITB Pension Funds website at www.itb-online.co.uk. Your Trustees review these at least every year and are required to consult with the Participating Employers before

Chairman's Statement

changing the SIP and adopting any new investment strategy. As stated earlier, this consultation process is presently underway based on the results of the 2004 Actuarial Valuation of the Open Fund, following which a revised SIP will be prepared for formal approval by the Trustees and then updated on the website.

I commented earlier about the challenges and changes the Funds face in the legislative and regulatory environment in which UK pension funds are now managed and administered. At the beginning of April 2005 the Pensions Act 2004 came into force. In anticipation of this a revised Trust Deed and Rules was introduced during the year simplifying many parts and incorporating a number of recent deeds of variation. Further revision will be required as a result of this new Act and the additional legislation due to become law on 6 April 2006 -known as A-day - on tax simplification and other changes for pension funds. The Trustees are already in consultation with Participating Employers on these Government proposals and their likely effect on the Members of the ITB Pension Funds. These tax changes will, from a Members' perspective, allow for a more generous interpretation of Inland Revenue rules in such matters as maximum pension benefit accrual, lump sums on retirement and greater flexibility in payment of contributions. There are many other proposed changes, some of which are still in the discussion stage, and we have a programme in place to assess the impact on our Funds and to be fully prepared for their implementation on A-day. These changes, in themselves, do not necessarily mean that the ITB Pension Funds will be substantially changed but the situation must be closely monitored and prepared for and further updates on progress and any effects on Members will be reported in future issues of "ITB Pension News" as the implications become clearer.

An important and significant part of your Trustees' overall strategy for improving Member communications is putting and maintaining an Internet web site in place for the Funds. The Funds' existing web site on www.itb-online.co.uk was supplemented with the launch in October 2004 of "My ITB" (www.myitb.com). This is an interactive section of the web site that provides Members access to comprehensive web based pensions modelling facilities. It is pleasing to confirm that the "MyITB" web site has been very well received by Members and additional to this success was the special recognition awarded to it when judged winner in two categories by "Professional Pensions" magazine for "Best Use of IT" and "Web Site Design".

The ITB Pensions Funds are very fortunate to have such experienced and dedicated Trustees who bring many years of business acumen and common sense, from a wide variety of sectors, to the benefit of the Funds. This collective input of knowledge, skill and integrity to the decision making process affords the highest level of protection to Members' interests while safeguarding the long term viability of the Funds. I am most grateful to my fellow Trustees for their selfless contribution and assistance given so generously to the Funds and myself over the past year.

The staff of the Funds' Office at Watford, headed by the Director Vincent Gordon, are in their day to day work committed to providing the membership with a service which meets the highest standards. The challenge of the continuous volume of change required by Government and other regulatory bodies to the way pension funds are administered, as well as the ongoing running of the Funds, is demanding of all the staff. Their dedication and proficiency require their participation in a programme of continued professional development. Their success

Chairman's Statement

in meeting these exacting standards was recognised by them achieving the Investors in People (IIP) standard in October 2004. On behalf of the Trustees I thank them most sincerely for their professionalism, hard work and efforts over this past year.

Finally, may I say that, on completion of another demanding and exacting year where it has been my privilege to serve you as Chairman, it is gratifying for me to be able to report that both the Closed and Open Funds are in good shape, have increased in value over this last year and have the resources and assets to meet the expectations of the membership for the foreseeable future.

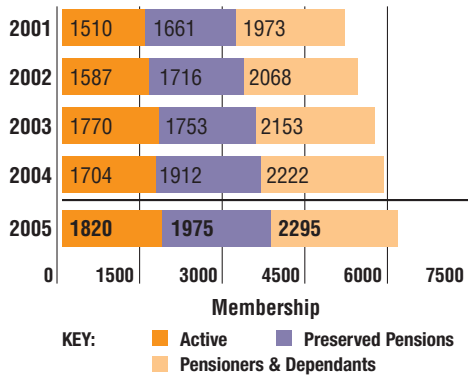


NORMAN DUNLOP CBE
Chairman of Trustees

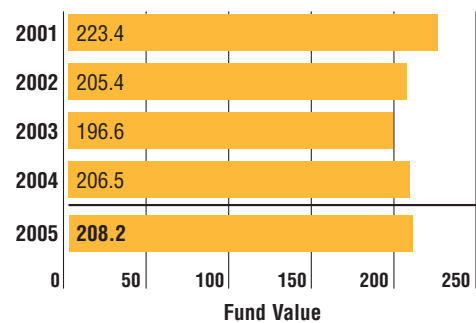
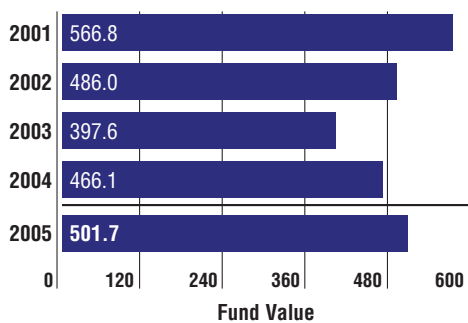
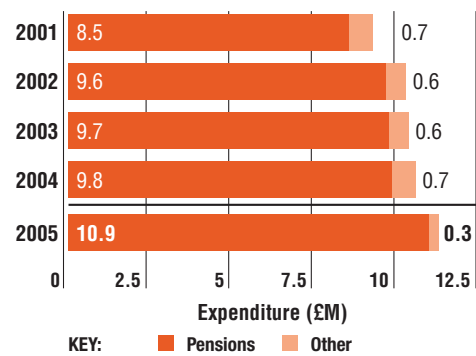
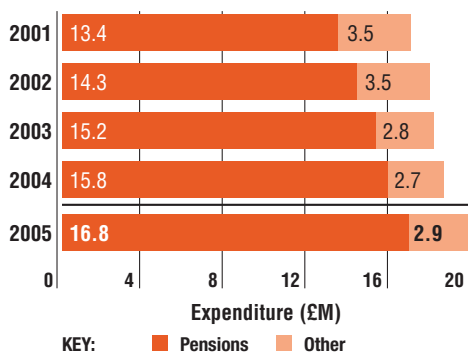
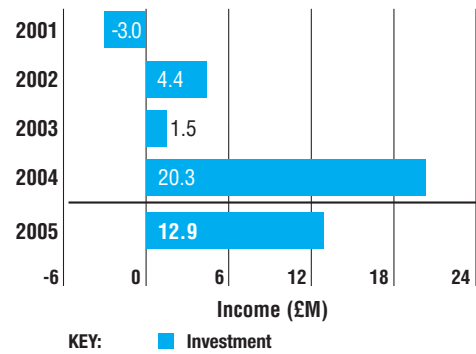
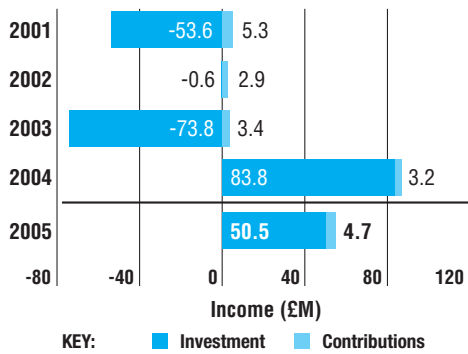
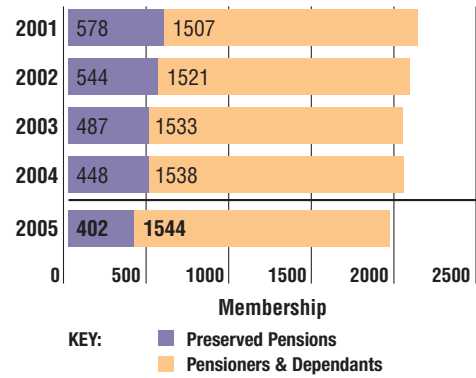
1 July 2005

Five Year Summary

Open Fund



Closed Fund



Board of Trustees

Norman Dunlop, CBE E

(Chairman)

Nominated by:
Engineering Construction ITB
*(Formerly Managing Director of
Foster Wheeler Energy Limited)*



Ken Potter M

(Deputy Chairman)

Nominated by:
JTL
Scottish Electrical Charitable
Training Trust
(Financial Controller for JTL)



David Barnett P

Nominated by:

Open Fund Pensioners
Previously Road Transport ITB
*(Retired – Formerly Director
General of RTITB)*



John Edwards M

Nominated by the Trade Union
for:
Engineering Construction ITB
(ECITB)
(Account Manager)



Madge Moore M

Nominated by:
Lantra
(National Director - England)



George Beveridge E

(Deputy Chairman)

Nominated by:
Cogent SSC Limited
(Management Consultant)



Professor Tom Cannon E

Nominated by:

CAPITB plc
*(Chief Executive Officer of
Respect)*



Bob Hanks E

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)*



Neville Gall M

Nominated by:

Cogent SSC Limited
CAPITB plc
Polymer Industry Education and
Training Trust Limited
Automotive Skills Limited
Road Haulage and Distribution
Training Council
Skills for Logistics
*(Human Resources Manager for
Cogent)*



Board of Trustees

Peter McCulloch *M*

Nominated by Trade Union for:
Construction ITB (CITB)
(Training Adviser for CITB)



D'Arcy Payne *E*

Nominated by:
Science, Engineering and
Manufacturing Technologies
Alliance - *succeeded Stephen
Ingram who retired from office
on the 31 March 2005*
*(Vice President of Science,
Engineering and Manufacturing
Technologies Alliance)*



Peter Rogerson, OBE *E*

Nominated by:
Construction ITB (CITB)
(Deputy Chairman of CITB)



Maureen Webster *M*

Nominated by:
People 1st
(Payroll Administrator for HTF)



People 1st -
no Employer Trustee in place
at year end

Horace Parker *P*

Nominated by:
Closed Fund Pensioners
Previously Printing and
Publishing ITB
*(Retired - Formerly Advisory
Services Manager for PPITB)*



Jonathan Swift *E*

Nominated by:
Lantra
*(Group Managing Director of
BHF Group)*



David Young *E*

Nominated by:
JTL
Scottish Electrical Charitable
Training Trust (SECTT)
*(Retired - Formerly Chief
Executive of SECTT)*



Allan Whatmore

Nominated by Trade Union for:
Science, Engineering and
Manufacturing Technologies
Alliance (SEMTA)
*(Sector Skills Adviser for
SEMTA)*



KEY:

E - Employers' Trustees
M - Members' Trustees
P - Pensioners' Trustees

Trusteeship

Appointment of Trustees

The ITB Pension Funds are controlled by 18 Trustees consisting of nine Employers', seven Members' and two Pensioners' Trustees. Details of the Trustees in office at the year end are shown on pages 6 and 7 of this Report.

Of the nine Trustees 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.

The remaining Employers may secure representation in one of two ways. The Successor Bodies to a previous Training Board may join together for the purpose of Trustee nomination and, if necessary, tally their combined membership for the purpose of qualification. Otherwise the remaining Employers concerned will co-operate in nominating a Joint Employers' 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 Joint Members' Trustee by ballot.

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 fulfill the eligibility qualifications. In addition, a Trustee will immediately vacate office upon becoming bankrupt or of unsound mind. The 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 to the Trustees

Member Trustees

Maureen Webster the Members' Trustee for People 1st retired by rotation on 31 March 2005 and was re-appointed to serve for a further term from 1 April 2005.

John Edwards became the Members' Trustee for Engineering Construction ITB on 21 January 2005, succeeding John Cushing who retired from service 31 December 2004.

Pensioner Trustees

The periods of office of the two Pensioners' Trustees, David Barnett (Open Fund) and Horace Parker (Closed Fund), are due to end on 30 September 2005.

Employer Trustees

Peter Rogerson OBE, the Employers' Trustee for Construction Industry ITB, retired by rotation on 31 March 2005 and was duly re-appointed to serve for a further term from 1 April 2005.

Jonathan Swift, the Employers' Trustee for Lantra retired by rotation on 31 March 2005 and was duly re-appointed to serve for a further term from 1 April 2005.

Professor Tom Cannon, the Joint Employers' Trustee representing CAPITB plc, Automotive Skills Limited and Skills for Logistics relinquished his appointment on 31 March 2005, as his Employer CAPITB plc, became one of the larger Employers and therefore entitled to appoint their own Employer Trustee.

Trusteeship

Professor Cannon was duly appointed to commence a term as Employers' Trustee for CAPITB Plc from 1 April 2005.

Bob Hanks, the Employers' Trustee for Polymer Industry Education and Training Trust, relinquished his appointment on 31 March 2005, as his Employer became one of the smaller Employers.

Bob Hanks was duly appointed to become the Joint Employers' Trustee for Polymer Industry Education and Training Trust, Automotive Skills Limited, Skills for Logistics and Road Haulage & Distribution Training Council on 1 April 2005, succeeding Professor Tom Cannon as a result of CAPITB plc becoming one of the larger Employers.

David Stanton, the Employers' Trustee for People 1st, left service and resigned as a Trustee on 31 January 2005. People 1st are seeking to nominate a replacement for Mr Stanton as an Employers' Trustee.

Chairman

Norman Dunlop's period of office is due to end on 31 March 2006.

Deputy Chairmen

The period of office of George Beveridge as Deputy Chairman (Employers) is due to end on 30 September 2005.

The period of office of Ken Potter as Deputy Chairman (Members) is due to end on 31 December 2006.

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, regular training opportunities are provided throughout the year and at least one annual Training Seminar for all the Trustees is organised.

Meetings

The Trustees normally meet 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, administration and investment strategies 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.

Investment Committee

The Investment Committee comprises of six Trustees, including the Chairman of the Trustees. The members are:

Norman Dunlop	-	Chairman
George Beveridge	}	Joint Deputy Chairmen
Ken Potter		
David Barnett	}	Trustees
Peter Rogerson		
Stephen Ingram		

The Investment Committee's remit covers the financial and investment aspects of the Funds. They are assisted as appropriate in these roles by the Trustees Investment and other Professional Advisers.

The Investment Committee have at least five scheduled meetings during the year plus a number of other supplementary meetings as necessary.

Trusteeship

Management Panel

The Management Panel comprises of four Trustees, including the Chairman of the Trustees. The members are:

Norman Dunlop	-	Chairman
George Beveridge	}	Joint Deputy
Ken Potter		Chairmen
Peter Rogerson	-	Trustee

The Management Panel is a committee established by the Trustees to carry out research and investigation into pension matters not dealt with by the Investment Committee, making appropriate recommendations where necessary. They are assisted as appropriate in these roles by the Trustees' Professional Advisers.

The Management Panel meet as and when necessary.

Salaries Committee

The Salaries Committee was established by the Trustees to deal with Human Resource issues affecting staff employed by the ITB Pension Funds on behalf of the Trustees. The current members of the Committee are:

Norman Dunlop	-	Chairman
George Beveridge	-	Deputy Chairman
Bob Hanks	-	Trustee

The Salaries Committee meet as and when required.

Officers and Advisers at 31 March 2005

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 Russell/Mellon Europe Limited
Custodians	JP Morgan Chase Bank Barclays Global Investors Limited Universal Pension Trustees Limited
Auditors	Chantrey Vellacott DFK LLP

Vincent Gordon



Dennis Matthews



Dave Faulkner



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: Polymer Education and Training Trust Limited changed its name to Polymer Industry Education and Training Trust Limited.

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 as follows:

Automotive Skills Limited

CAPITB plc

Subsidiaries:

Global Resource Management PLC
Qualifications for Industry Limited
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
Training Publications Limited

Scottish Electrical Charitable Training Trust

Skills for Logistics

Review of Principal Activities

The major undertakings and developments which have influenced the administration of the ITB Pension Funds are summarised below.

Website developments

By October 2004 the Funds' innovative pension modelling website 'My ITB' had been successfully released to all active Members of the Scheme.

'My ITB' (www.myitb.com) in tandem with the Funds' information website (www.itb-online.co.uk) forms an integral part of the Funds' commitment to continually improve member communications. By interactively forecasting retirement benefits and AVC modelling, Members are provided with sophisticated and instant retirement planning tools. Deferred Members and Pensioners, like active Members, can also use the site as a new means of updating their personal details.

The positive feedback from Members is a measure of its success; a point confirmed by the recent recognition at the Professional Pensions awards 2004, where the ITB website was the recipient of the 'Best Use of IT' and 'Best Website Design' awards.

Valuation of the Open Fund

The Open Fund's triennial Actuarial Valuation as at 31 March 2004 showed the Fund continues to enjoy a satisfactory ongoing financial position. The results of the valuation verify expectations, confirming that the assets and assumed levels of contributions and investment growth are assessed by the Scheme Actuary to be sufficient to match both accrued and future liabilities.

Legal Developments

The Trustees continue to keep abreast of all salient legal developments. During the past year two significant pieces of legislation have been passed – the Pensions Act 2004 and the Finance Act 2004. Where necessary, the Participating Employers have been consulted and their views considered.

Some important aspects of this legislation were made effective from 6 April 2005 including the Pension Protection Fund (PPF) and The Pensions Regulator's succession to the Occupational Pensions Regulatory Authority (Opra). The PPF (financed by a levy on occupational pension schemes) has been established to protect members of private sector final salary schemes whose employers become insolvent with insufficient assets to match their pension liabilities.

6 April 2006 – now referred to as 'A-Day' – will see wide-ranging changes introduced aimed at simplifying the taxation of pensions; including a new lifetime allowance for the maximum value of pension benefits that can be taken tax efficiently.

The minimum age at which people can begin to draw their pension is to rise from 50 to 55 in 2010. This will not affect people who had an established contractual right as at 9 December 2003 to retire at age 50; they will retain that right.

Further changes included in the legislation are currently under review by the Trustees who will issue further updates as the implications become clear.

New Trust Deed and Rules

The Trust Deed and Rules, which governs the operation of the Funds, was revised during the last year. This allowed for the documentation of the New Section of the Open Fund, while also providing an opportunity for the restructuring and modernisation of the Deed.

Further changes to the Rules will be required prior to 6 April 2006 to accommodate the Finance Act 2004 and the Pensions Act 2004.

Review of Principal Activities

Investors in People (IiP)

The ITB Pension Funds' Office attained the 'Investors in People' standard in November 2004. IiP is a business improvement tool designed to enhance an organisation's performance through its people. Annual objectives are set as a means to achieving the IiP standards, which complements the commitment of the Funds' Office to continuous professional improvement.

Review of Additional Voluntary Contributions (AVCs) options

In line with the Funds' practice of regularly reviewing its investment arrangements a full review of the AVC options offered by the Scheme was conducted during the year. Following the review, all AVC payers were sent a letter and a guide to the AVC investments on offer. This advised members of the need to review their own investment choices to meet their personal circumstances. 'A *guide to AVC investments*' is available on the web at www.itb-online.co.uk

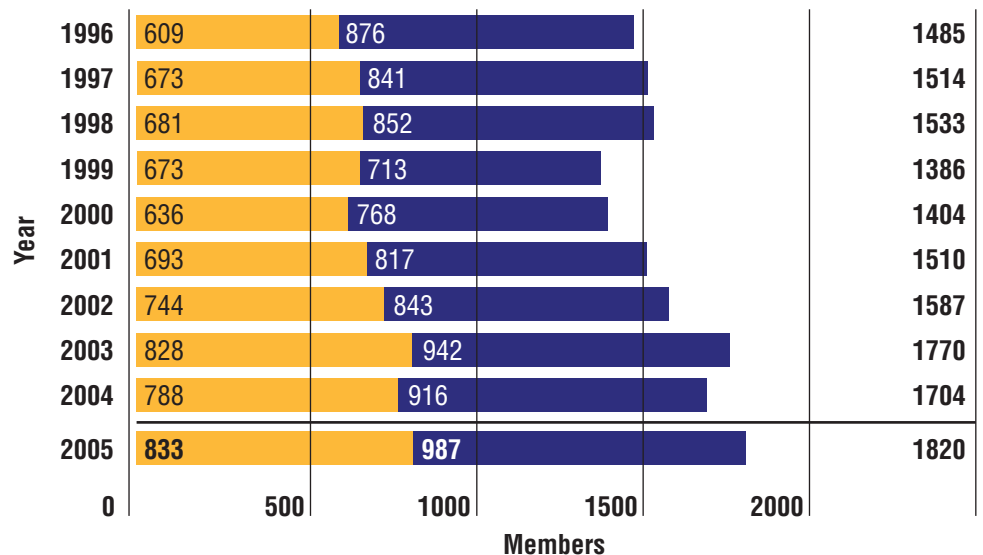
Membership

The ITB Pension Funds consist of two separate Funds, the Open Fund and the Closed Fund. All active Members are in either the “Old” or “New” Sections of the Open Fund.

The Open Fund has continued to grow steadily due mainly to the increased demand for training services from some of the industries in which the Employers who participate in the Scheme are involved. Also, some Employers continue to restructure their businesses.

Chart 1
Active Membership -
Open Fund

KEY:
■ Females
■ Males



The age structure of the contributing Members at 31 March 2005 was as follows:

	Females	Males	Total
Under 30	152	63	215
30 – 34	136	83	219
35 – 39	143	97	240
40 – 44	118	173	291
45 – 49	101	176	277
50 – 54	87	157	244
55 – 59	78	169	247
60 – 64	18	69	87
TOTAL	833	987	1820

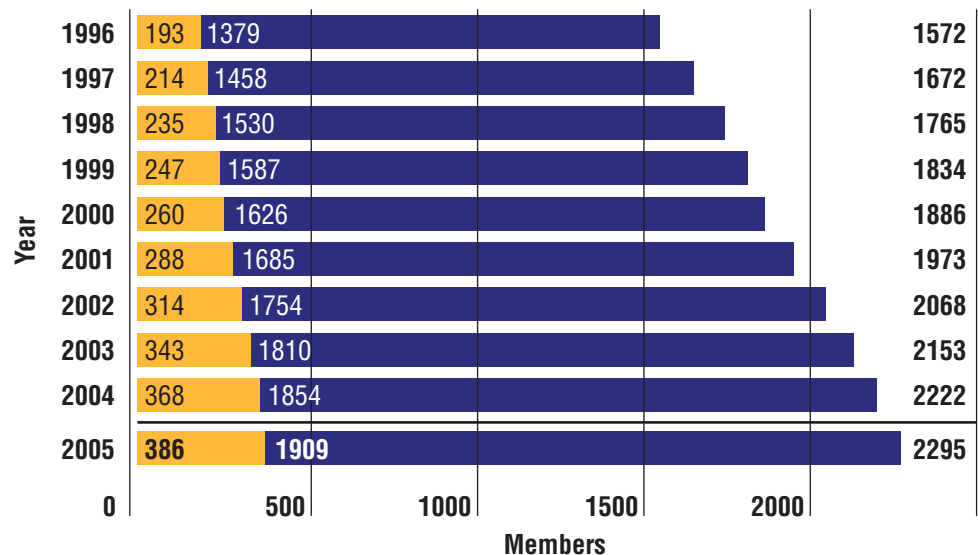
Membership

Pensioners – Open Fund

The trend of previous years continues as the number of Pensioners in the Open Fund steadily rose once again mainly from early retirements. Pensioners are either Members or dependants and the number in each category is shown below.

Chart 2
Pensioners -
Open Fund

KEY:
■ Dependants
■ Members



The age structure of Pensioners in the Open Fund as at 31 March 2005 is shown below. The benefits paid to the Pensioners cover early, normal, late retirement, compulsory and disability retirement.

	Females	Males	Total
Under 50	4	2	6
50 – 54	11	19	30
55 – 59	62	152	214
60 – 64	138	214	352
65 – 69	108	366	474
70 – 74	78	331	409
75 – 79	66	198	264
80+	21	139	160
Subtotal	488	1421	1909
Dependants	-	-	386
TOTAL	488	1421	2295

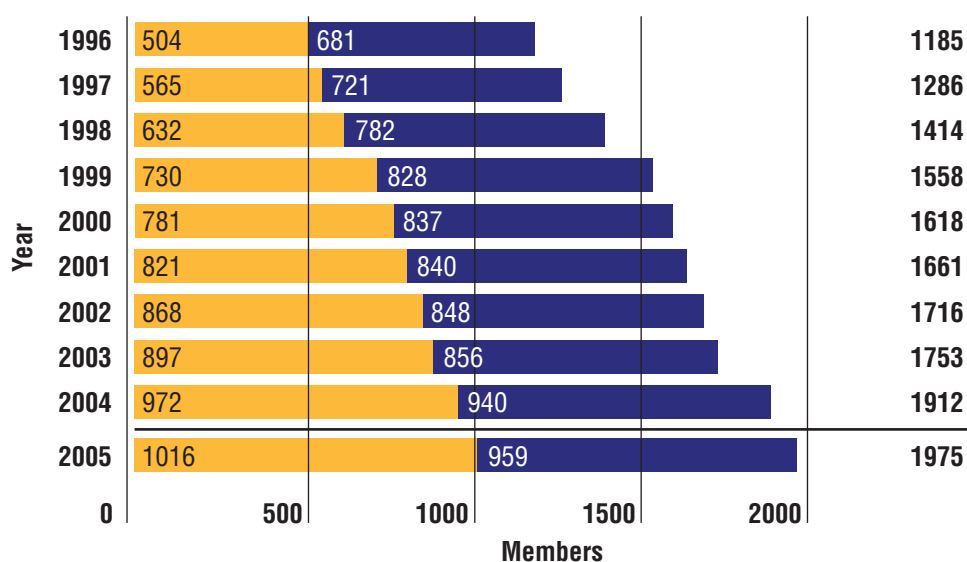
Membership

Preserved Pensions – Open Fund

The number of preserved pensioners in the Open Fund as at 31 March 2005 is shown below. Preserved pensioners are Members who have left service, but still have benefits due to them from the Open Fund which will become payable to them, usually when they reach their Normal Retirement Date.

Chart 3
Preserved Pensions -
Open Fund

KEY:
■ Females
■ Males



The age structure of preserved pensioners in the Open Fund as at 31 March 2005 is as follows:

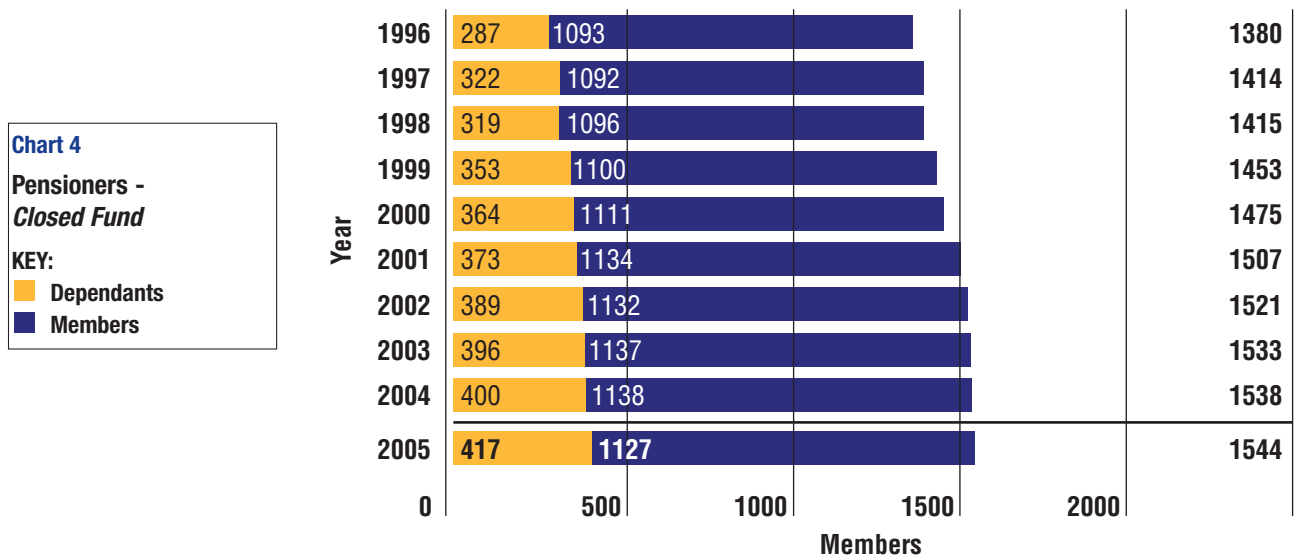
	Females	Males	Total
Under 40	299	116	415
40 – 44	224	159	383
45 – 49	190	195	385
50 – 54	142	213	355
55 – 59	140	191	331
60 – 64	21	82	103
65+	-	3	3
TOTAL	1016	959	1975

Membership

Closed Fund

The Closed Fund was established in April 1983 after the Government had dissolved 16 Training Boards. Membership of the Closed Fund is fixed by a Memorandum of Agreement.

The number of Pensioners in the Closed Fund continues to grow slowly, as Members whose preserved pensions come into payment and Pensioners are replaced by dependants.



The age structure in the Closed Fund as at 31 March 2005 is shown below.

	Females	Males	Total
Under 50	0	0	0
50 – 54	0	0	0
55 – 59	6	10	16
60 – 64	65	52	117
65 – 69	60	142	202
70 – 74	59	181	240
75 – 79	77	167	244
80+	109	199	308
Subtotal	376	751	1127
Dependants	-	-	417
TOTAL	376	751	1544

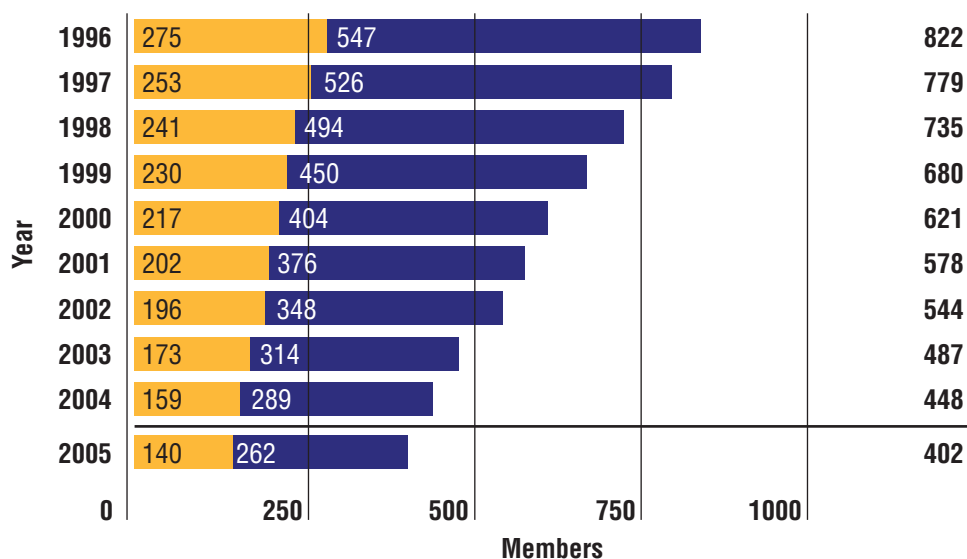
Membership

Preserved Pensions – Closed Fund

The number of preserved pensioners in the Closed Fund as at 31 March 2005 is shown below. Preserved pensioners are Members who have left service, but still have benefits due to them from the Closed Fund which will become payable to them, usually when they reach their Normal Retirement Date.

Chart 5
Preserved Pensions -
Closed Fund

KEY:
■ Females
■ Males



The age structure of preserved pensioners in the Closed Fund as at 31 March 2005 is as follows:

	Females	Males	Total
Under 40	0	0	0
40 – 44	1	1	2
45 – 49	9	6	15
50 – 54	48	30	78
55 – 59	81	125	206
60 – 64	1	96	97
65+	0	4	4
TOTAL	140	262	402

Transfer of Benefits

The policy of the Trustees towards making a transfer payment when a Member of the Funds leaves pensionable service 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 the Funds a statutory right to a transfer value in respect of their accrued benefits, which must be calculated according to regulations made under the Act.

Such transfer values can be paid to the occupational pension plan of the Member's new employer, to a personal pension scheme, or into an insurance company pension 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 plan, or an insurance pension 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 a pension.

Legislation introduced by the Pensions Act 1995 includes requirements which govern the way in which pension schemes calculate transfer values. The Trustees along with the Funds' Actuary have reviewed the way transfers into and out of the Open Fund and out of the Closed 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.

In October 2004 the Trustees reconsidered their previous decision to suspend the acceptance of transfers-in to the Open Fund in the wake of the 2004 Actuarial Valuation results. As a result of the review the Trustees took the view that they would no longer accept transfers-in to the Open Fund. This action is common with many other Pension Schemes who share concerns about the exposure to additional liabilities arising from the acceptance of transfers-in. However, one transfer-in to the Open Fund was allowed during the year. This was a long running Securities and Investment Board (SIB) case that had been agreed for reinstatement prior to the Trustees' original decision not to accept transfers-in.

Increases in Pensions

The Rules of the ITB Pension Funds provide that the Closed Fund and the Open Fund (Old Section) increase pensions in payment each year in accordance with Section 59 of the Social Security Pensions Act 1975 (as amended). The amount is based on the annual increase in the Retail Price Index (RPI) up to the previous September, which is announced by the Government in October each year.

The provisions of the Rules relating to increases in pensions under the Old Section apply equally to preserved pensions which receive an increase for the period from the date of leaving to the date payment begins as well as thereafter. Guaranteed increases have been granted to pensions under The ITB Pension Funds since 1971 and details of the most recent increases are shown in the table below.

Date of Increase	Increase %
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
8 April 2002	1.70
7 April 2003	1.70
12 April 2004	2.80
11 April 2005	3.10

Pensions in payment under the New Section of the Open Fund are also increased in line with the annual increase in RPI, but subject to a maximum of 5% increase in any one year, for pensions accrued before 6 April 2005 and up to a maximum of 2.5% for pensions accrued thereafter (or such other amount prescribed by legislation). Deferred pensions under the New Section are increased in line with the annual increase in RPI up to a maximum of 5% compound (or such other amount as prescribed by legislation).

A requirement of contracting-out of the former Second Tier State Pension, known as S2P (formerly SERPS) in existence up to 5 April 1997, was that an occupational pension plan had to provide its members with pension benefits which were broadly equivalent to the SERPS pension that members would have accrued had they not been contracted-out. This was called a Guaranteed Minimum Pension (GMP). GMPs do not accrue for post 5 April 1997 pensionable service and instead the Open Fund passes a reference scheme test for salary-related contracted-out plans as set out in the Pension Schemes Act 1993. In being contracted-out active members and Employers benefit from a reduced contracted-out rate of National Insurance contributions.

Increases in Pensions

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
For 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%

On attaining State Pension Age, Members are advised by the Department for 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' GMPs are inflation protected by the State, irrespective of age.

It is important to note that for pensions actually being paid an increase is not normally 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.

Actuarial Valuation

Open Fund

The ITB Pension Funds (Open Fund) is a final salary scheme. This means that the pension paid to a Member is based on their service at, and salary near to, retirement. This type of arrangement is sometimes known as a defined benefit scheme. The Participating Employers operate the Open Fund for the substantial majority of their employees. The assets of the Fund are held separately from the finances of the Participating Employers.

Actuarial valuations of the Fund are carried out as determined by the Trustees at intervals of not more than 3 years. In his valuation the Actuary assesses the funding position of the Scheme and the expected future cost of benefits accruing to members under the Scheme, recommending a rate of contribution to be paid by Employers. In intervening years, the Actuary reviews the continuing appropriateness of the contribution rates.

Broadly and in accordance with the Rules, where a surplus arises it will first be used to extend the period over which Employers' and Members' contributions are paid at the rate of 5% of salaries for a further three years or such longer or shorter period as determined by the Actuary allowing, where appropriate, for any 'catchup' from previous valuations. Any surplus remaining will be divided between Employers and Trustees with the Trustees receiving 25% of the surplus for distribution to the Members (subject to a maximum of £12.5 million), with the balance being allocated to Employers and held within the Fund.

Special arrangements are also in place for consultations to take place between the Actuary and Employers about the methods and actuarial assumptions for each valuation.

The most recent valuation of the Open Fund was completed by the Actuary as at 31 March 2004, revealing a reduction in the surplus in the Fund of £18 million. The Actuary valued the liabilities of the Fund at £493.9 million and the assets at £539.4 million,

including future expected contribution income, but excluding £22 million notionally allocated to individual Employers and held within the Fund in accordance with the previous agreement with Employers and advised in the December 1999 edition of 'Pension News'. Moreover, since the last Open Fund valuation in 2001 there has been the introduction of contribution abatement pots. These represent the value of the expected contribution abatements to 31 March 2014 (as recommended by the 2001 valuation). These were apportioned to each contributing Employer at 30 June 2002. Since that date, the cost of contribution abatement has been debited against each Participating Employer's own contribution abatement 'pots'. The aim of the revision was to ensure fairness between Participating Employers and, in particular, to deal with the widely differing rates of expansion and contraction in the workforce of Participating Employers. As part of this change, the period over which Members can benefit from a contribution reduction is protected from the effects of an expansion by particular Employers or by Employers in general.

The result of the 2004 valuation has been to cut back the period over which Member and Employer contributions may be paid at current levels to June 2010 for Members and at varying dates for the Employer, but on average to June 2008 (previously until 31 March 2014).

The Trustees continually monitor the Funds' financial status between formal valuations.

The next actuarial valuation of the Open Fund will take place as at 31 March 2007.

Actuarial Valuation

Closed Fund

The most recent valuation of the Closed Fund was completed by the Actuary as at 31 March 2003 which revealed a surplus of £31.0 million. For the purpose of the valuation the Actuary valued the assets of the Fund at £173 million and all liabilities, including future administration expenses, were valued at £142 million. Under the Rules governing the Closed Fund, the Trustees have power to use up to one-third of a surplus revealed at each triennial valuation to improve Members' benefits. This power is not subject to the approval of Employers.

The result of the valuation enabled the Trustees to make further increases to the Closed Fund in May 2004. As stated in last year's Report these were as follows:

Age Band	Recommended Increase %
Pensioners	
Under 60	6
60-62	6.5
63-65	7
66-68	7.5
69-71	8
72-74	8.5
75-77	9
78-80	9.5
Over 80	10
Dependents	8
Deferreds	5.5

Based on the specified assumptions, the actuarial value of the assets of the Fund at 31 March 2003 was 122% of the liabilities. Even after the benefit improvements granted following the valuation, the ratio of the Fund's assets to its liabilities still exceeds the limit of 105% imposed by Section 603 of the Income and Corporation Taxes Act 1988. Reference is made in Note 11 to the Financial Statements to the Closed Fund's tax liability.

The next actuarial valuation of the Closed Fund will take place as at 31 March 2006 with the final results due out at the end of that calendar year.

Actuarial Certificates

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 pages 25 to 27.

Minimum Funding Requirement/Discontinuance

As part of valuations, the Actuary assesses whether there is sufficient money in the Funds to meet the Minimum Funding Requirement, a Government standard for the minimum amount of money that a pension scheme must hold to meet its liabilities. Both the Open and Closed Funds comfortably pass this test. The Actuary has also stated that using the actuarial assumptions adopted for the valuation, the assets would have been sufficient at the valuation date to cover the liabilities arising in respect of accrued service to the valuation date (and assuming no further contributions were payable).

Actuarial Statements

Actuarial Statement made for the purposes of Regulation 30 of The Occupational Pension Schemes (Minimum Funding Requirement and Actuarial Valuations) Regulations 1996

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

Effective date of valuation statement: 31 March 2004

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 30 June 2010. Employees for Skills for Logistics are assumed to contribute at the full rate of 6%. Member contributions may be paid either in cash or met from the relevant Employer's allocated Surplus Pot as designated in accordance with the Trust Deed and Rules.

Employer – Monthly contributions at the rate of 16% of Pensionable Salaries in respect of Old Section Members, and 11% of Pensionable Salaries in respect of New Section Members. One Employer, Skills for Logistics, is assumed to pay an additional contribute rate of 2.75% of Pensionable Salaries over the 9 year period commencing 31 March 2005. Employer contributions can be reduced to 10.5% or 5% in accordance with the Trust Deed and Rules if the relevant Employer's Contribution Abatement Pot is sufficiently large. The following table shows the expected period over which Employers' Contribution Abatement Pots can support full abatement at the 5% level.

Employer	Expected Abatement Term (Years)
Automotive Skills Ltd	2.5
CAPITB plc	12.5
Cogent SSC	1.5
Construction ITB	4.5
Engineering Construction ITB	5
People 1st	6.5
ITB Pension Funds Office	6.5
JTL	0
Lantra	4.75
Polymer Industry Education and Training Trust Ltd	19.5
Road Haulage & Distribution training Council	9.5
Scottish Electrical Charitable Training Trust	5.5
SEMTA	6.5
Skills for Logistics	0

I have allowed for contributions from each Employer at the lowest possible rate for that Employer for as long as permissible under the Trust Deed and Rules.

Actuarial Statements

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 17 December 2004.

C D Daykin FIA
Government Actuary’s Department
Finlaison House
15-17 Furnival Street
London EC4A 1AB

17 December 2004

Actuarial Statements

Actuarial Statement 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 CLOSED FUND

Effective Date of valuation statement: 31 March 2003

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 1 October 2003.

This statement does not address the question of whether or not the assets would be sufficient to secure the liabilities with insurance companies should the Scheme wind up.

C D Daykin FIA
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Finlaison House
15-17 Furnival Street
London EC4A 1AB

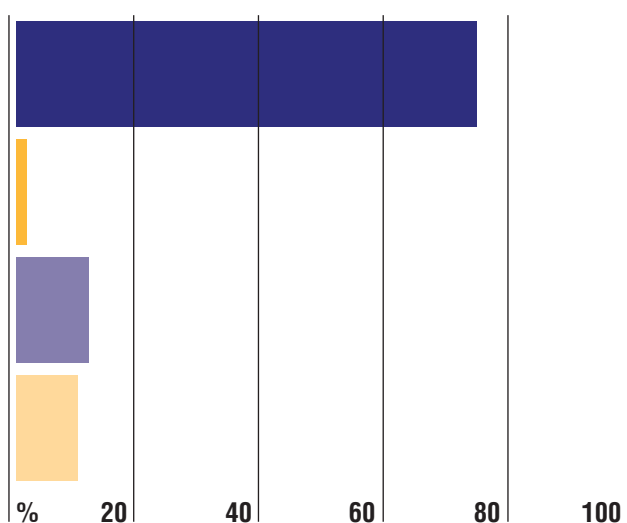
1 October 2003

Funds' Income and Expenditure

Open Fund

Source of Income 2004/2005

Chart 6



Net income from investments including bank deposits and gains on realisation of investments (76.1%) £15,073,274

Transfers received (1.7%) £335,040

Members' Contributions (including AVCs) (12.0%) £2,377,821

Employers' Contributions (normal) (10.2%) £2,014,954

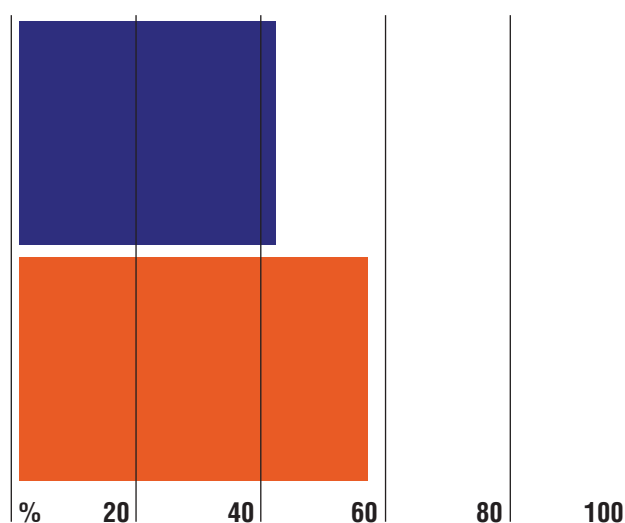
The way in which the income of the Open Fund of £19,801,089 was made up is shown in Chart 6. The total net investment income consists mainly of income from dividends, bank interest and less the loss on foreign exchange and Investment Managers' fees. The Open Fund was required to raise an additional £99,510 from the sale of investments to meet expenditure commitments.

During the year contributions of £1,335,153 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.

Closed Fund

Source of Income 2004/2005

Chart 7



Net income from investments including bank deposits (42.4%) £4,905,431

Net gain on realisation of investments (57.6%) £6,676,032

The way in which the income of the Closed Fund, of £11,581,463 was made up is shown in Chart 7. The total net investment income consists of income from dividends and bank interest. The Closed Fund was required to raise an additional £371,511 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.

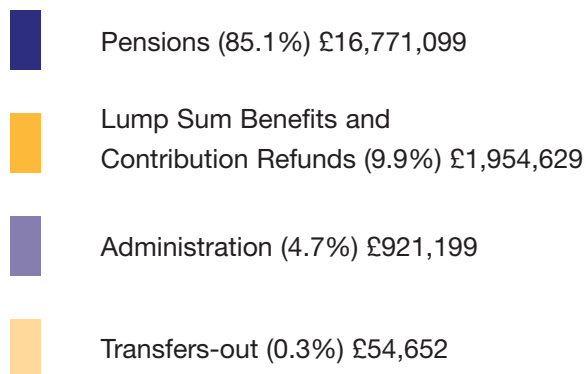
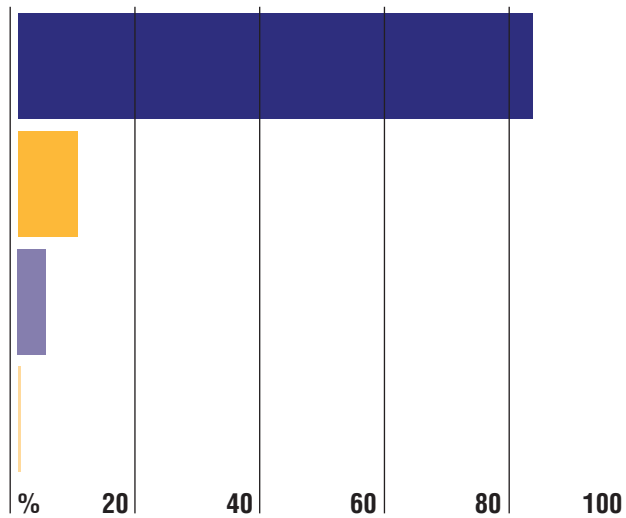
Funds' Income and Expenditure

Charts 8 and 9 show how the total income of each Fund was allocated.

Open Fund

Allocation of Expenditure 2004/2005

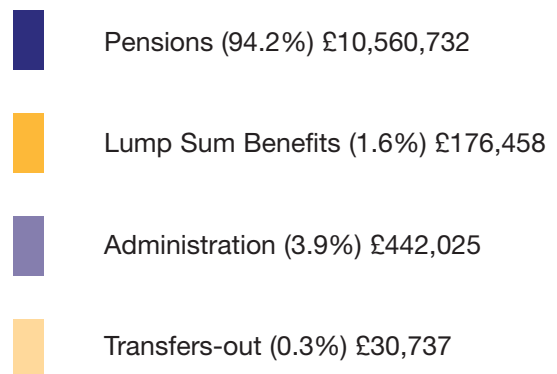
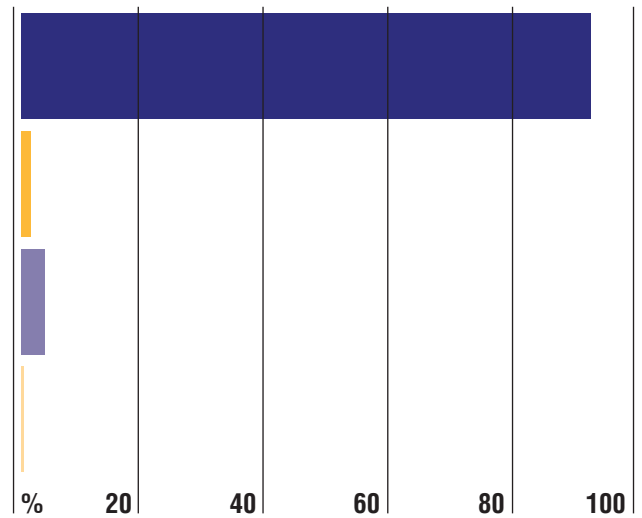
Chart 8



Closed Fund

Allocation of Expenditure 2004/2005

Chart 9



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 investment performance of both the Open and Closed Funds is shown on page 37.

The recommendations of a report on institutional investment - the Myners Report - which have previously been accepted by the Government, identified a set of investment principles which pension schemes should comply with on a voluntary basis. The Trustees consider that the Funds are currently generally compliant with most of the Report's recommendations and have taken steps, where appropriate, to integrate the recommendations into working practices and procedures. There remain a few areas where the Trustees are working towards becoming fully compliant where these are relevant in the context of the ITB Pension Funds.

Investment Strategy

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

The strategy to achieve the investment objectives involves the Funds assets being invested across a range of asset classes and geographical areas.

Although the Trustees have delegated day to day management of the Funds' investments to external managers, the custody (safe-keeping) of these assets is carried out independently of the managers through custodians JP Morgan Chase Bank, Barclays Global Investors Limited and Universal Pension Trustees Limited.

Closed Fund

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.

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

Open Fund

Following the actuarial valuation of the Open Fund as at 31 March 2004, the Trustees along with their investment advisers gave detailed consideration to a report on the asset liability study carried out by the Actuary. With the benefit of this report they concluded that the present investment strategy, with some adjustments, appeared most suited in maintaining the desired funding level of the Scheme and should be adopted.

Investment Report

The strategy involved further planned reduction in equities in a controlled gradual move to achieve the new proposed allocation. The current asset allocation of the Open Fund is shown on pages 34 to 38. The pace at which the Scheme's asset allocation will move towards the new allocation - shown below - will be regularly reviewed by the Trustees and their advisors. This strategy will be subject to further review following Actuarial Valuation as at 31 March 2007.

The new benchmark applying from the 1 April for the **Open Fund** is as follows:

Category	Benchmark Allocation % (Market Values)
Fixed Interest	20
Index Linked	10
UK Equities	25
Overseas Equities	25
Property	15
Alternative Investments (e.g. Hedge Funds)	5

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.

The benchmark existing at 31 March 2005 for the portion (24%) 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

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.

Details of the Open Fund's total asset allocation, individual manager's allocation, mandates and investment performance at the Fund's year end are shown on pages 34 to 38.

Financial Review

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 levels.

Investment Report

Investment Background

UK Equities

UK equities delivered good performance over the year. Medium sized companies, as represented by the FTSE Mid 250 index, delivered the best gains, rising 17.1% on a total return basis. Large cap FTSE 100 stocks rose 15.4% while the smaller companies universe lagged, gaining 12.9%. Together, these moves left the FTSE All-Share up 15.6% on a total return basis for the year under review.

Good performance from banks (due to merger and acquisition activity) helped the All-Share to a heady 1.7% rise in August 2004 despite another 0.25% rise in interest rates. The strong rally that began in mid August continued in September. The price of oil also continued to surge, but the market shrugged off this and other concerns as investors began to realise that equities were still cheaply valued by historic standards. In October, equities rose again driven by good performance from lower risk 'defensive' and high yield sectors, although mining and resource stocks were noticeable laggards following the rise in interest rates in China. The market rally continued in November, with cyclical sectors such as mining, steel and chemicals leading the charge.

The year ended on a somewhat dull note as concerns about the oil price and the possibility of faster than expected interest rate rises in the US moved to the forefront of investors' minds.

Europe ex UK Equities

Europe ex UK equities produced encouraging performance over the year, with the asset class producing a local currency total return of 15.1% (FTSE Europe ex UK index). Favourable currency movements meant that returns for UK investors were noticeably better at 18.6%. Underpinning this rally has been reasonable economic growth from countries such as France and Spain and hopes that US dollar weakness would start to reverse as the US Federal Reserve tightened interest rates while the European Central Bank left rates on hold. However,

there have been few signs of a sustained US dollar recovery so far and European companies that rely heavily on the US to generate profits have continued to struggle.

Global Equities

Most global equity markets made solid progress over the year as a whole, with the FTSE World index producing a sterling total return of 8.3%. This was an encouraging outcome, as equity markets faced several headwinds during the year – most notably a high oil price and a weak US dollar. The strength of the oil price resulted in good performance from oil companies such as Exxon Mobil, BP and Total. By contrast, IT hardware and pharmaceuticals were noticeable laggards, with the former hit by weakening earnings and the latter suffering from concerns over product safety following the withdrawal of a number of 'blockbuster' drugs.

Other than the surge in the oil price and continued worries about the US trade and budget deficits, one of the main economic themes of the period was the slow but steady rise in interest rates. In the US, the Federal Reserve ('the Fed') raised interest rates from 1.00% to 2.75%, while in the UK the Bank of England tightened rates from 4.00% to 4.75%.

Bonds

US Treasury yields were largely unchanged for most of the year as the forces of slower economic growth and low inflation exerted downward pressure on yields. Support also came from the Federal Reserve, which was careful to manage investors' expectations regarding monetary policy and thereby prevent any sudden rise in long-term interest rates. In reassuring language, they stated that short-term interest rates could continue to rise at a measured pace. However, at the very end of the period, US bond market yields moved noticeably higher as investors began to worry that continued oil price strength would ultimately result in greater inflationary pressure, rather than slower economic growth.

Investment Report

A different dynamic was evident in the UK government bond market. By October 2004 it was clear that a year of monetary tightening had started to have an impact on the economy, slowing consumer activity and pushing down house prices. This triggered speculation that the UK interest rate cycle had peaked, contributing to a sustained period of market strength.

Property

2005, so far at least, seems to be continuing the trend of the last few years with commercial property continuing to prove extremely attractive to investors.

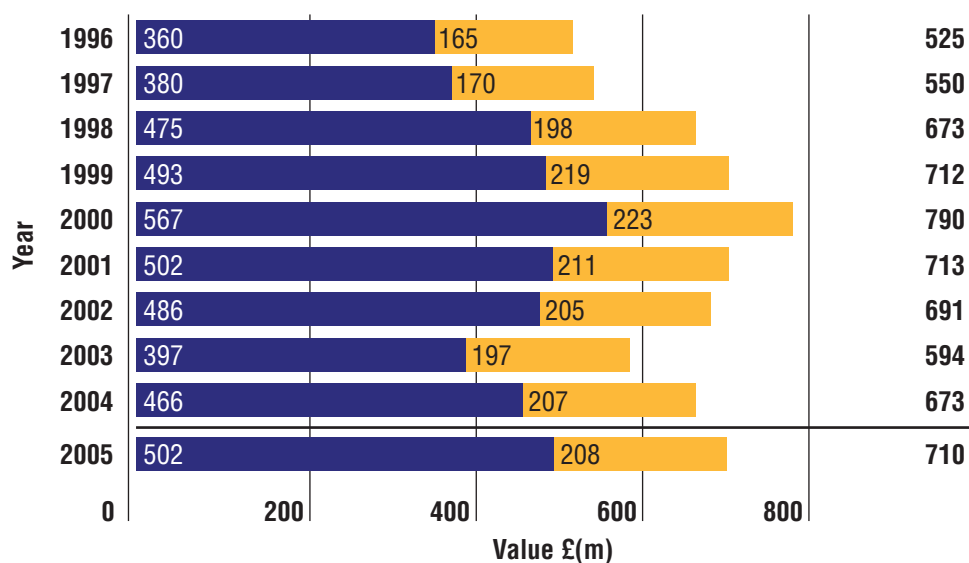
The retail sector continues to lead the way with a total return of 21.5% with industrial property – mainly storage and distribution warehouses and the like – giving 17.8%. While offices continue to lag, recording a total return of 14.1%, there are strong signs of recovery in the West End of London, though the City continues to underperform.

Investment Report

The size of each Fund and the growth achieved in the past ten years is demonstrated in Chart 10.

Chart 10
Growth of Funds

KEY:
■ Closed
■ Open



Asset Allocation

At the end of March 2005, the Funds' investments were allocated between the following categories.

Open Fund	Market Value £000's	Proportion of Market Value %
UK Equities	158,414	31.8
Overseas Equities	112,651	22.6
Fixed Interest:		
UK	68,708	13.8
Overseas	18,752	3.8
Index Linked	57,198	11.5
Property	67,920	13.6
Alternatives (e.g. Hedge Funds)	10,393	2.1
Cash	4,027	0.8
TOTAL	498,063	100.0

Closed Fund	Market Value £000's	Proportion of Market Value %
UK Equities	29,273	14.1
Overseas Equities	18,016	8.7
Fixed Interest:		
UK	1,832	0.9
Overseas	1,816	0.9
Index Linked	144,853	69.9
Cash	11,532	5.5
TOTAL	207,322	100.0

Investment Report

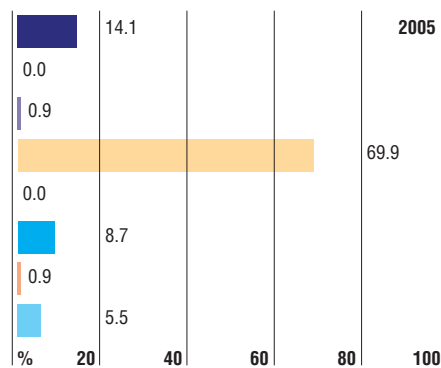
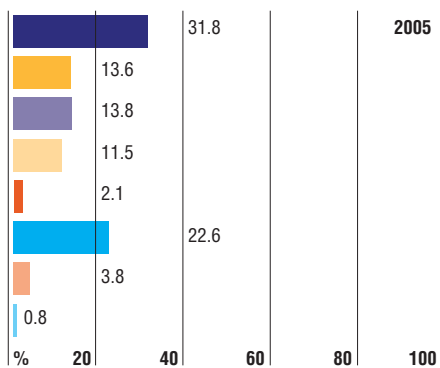
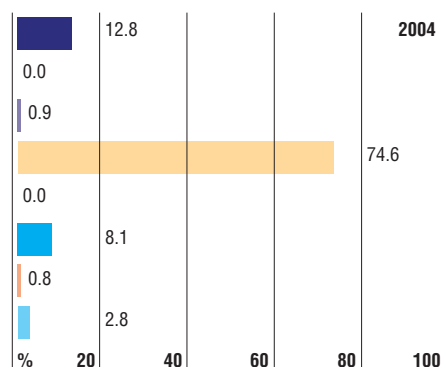
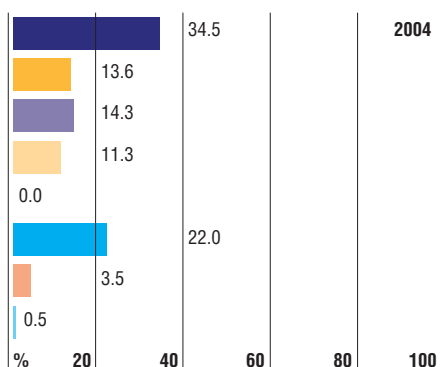
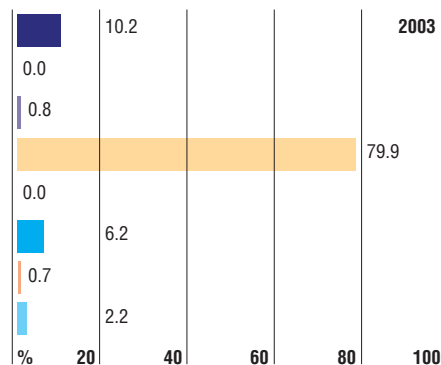
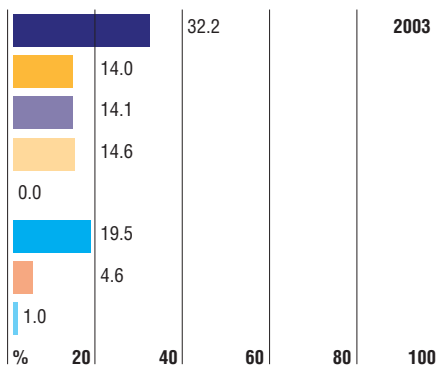
The Overseas Equities for both Funds consists of holdings in Europe, North America, Japan and South East Asia. The changes in asset allocation made since 2003 are shown in Charts 11 and 12.

Asset Allocation Open Fund (%)

Chart 11

Asset Allocation Closed Fund (%)

Chart 12



KEY:

- UK Equities
- UK Fixed Interest
- Alternatives
- Overseas Fixed Interest
- Property
- Index Linked
- Overseas Equities
- Cash

Investment Report

The ten holdings in equities and unit trusts which had the highest value at 31 March 2005 for each Fund, were as follows:

Open Fund

Holding	Description	Book Cost (£)	Market Value
9,718,035	Fidelity Institutional Europe Fund	15,313,470	18,940,450
12,815,358	Fidelity Institutional America Fund	17,980,569	18,505,378
11,628,716	Fidelity Institutional Japan Fund	11,701,762	13,175,335
12,687,109	Fidelity Institutional South East Asia Fund	10,166,419	12,570,388
8,936,623	Vodafone Group	17,302,305	12,555,955
2,240,298	BP	7,445,903	12,288,035
1,333,504	HSBC Holdings (UK REG)	9,096,042	11,161,428
498,348	Royal Bank of Scotland	4,718,090	8,392,180
571,856	GlaxoSmithkline	5,705,514	6,936,613
1,614,211	Tesco	3,784,755	5,108,978

Closed Fund

Holding	Description	Book Cost (£)	Market Value
3,558,517	Fidelity Institutional Europe Fund	4,644,735	6,935,550
3,235,205	Fidelity Institutional America Fund	4,308,501	4,671,637
3,375,943	Fidelity Institutional South East Asia Fund	2,603,947	3,344,885
2,703,845	Fidelity Institutional Japan Fund	2,684,895	3,063,456
497,100	BP	2,063,467	2,726,593
1,679,200	Vodafone Group	3,339,732	2,359,276
252,750	HSBC Holdings UK	1,944,377	2,115,517
4,939,502	Fidelity Institutional Long Bond GROSS	1,496,748	1,831,567
6,424,415	Fidelity Institutional International Bond GROSS	1,695,517	1,815,540
96,721	Royal Bank of Scotland	1,234,831	1,628,782

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 34 that no individual shareholding 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) 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.

Investment Performance Review

Total Fund

The investment performance of both the Closed and Open Funds continues to be monitored by Russell/Mellon Europe Limited, an independent investment performance monitoring service which monitors the performance of over 3,700 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 period reviewed in the most recent full report relates to the year ended 31 March 2005. In addition, Russell/Mellon Europe Limited also provide an overview for each Fund and present all the year end reports at a meeting of the Trustees' Investment Committee.

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 their strategic benchmark.

The relevant benchmark return for the Open Fund this year was 12.2%, whereas the Fund achieved a return of 11.1%. This divergence was expected as the benchmark used by Russell/Mellon Europe Limited was an interim benchmark. It was agreed during the year not to rebalance the portfolio to this interim benchmark but to allow it to drift towards the

long term benchmark. The difference in benchmark accounted for 0.6% of the shortfall. Russell/Mellon Europe Limited reported that the median pension fund return for the year was 10.6%.

The Closed Fund achieved a return of 7.2% against the relevant benchmark of 7.6%. The overall performance of the Closed Fund reflected its large holding in Index Linked Gilts.

Chart 13 shows the rate of return on all assets achieved by the 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.

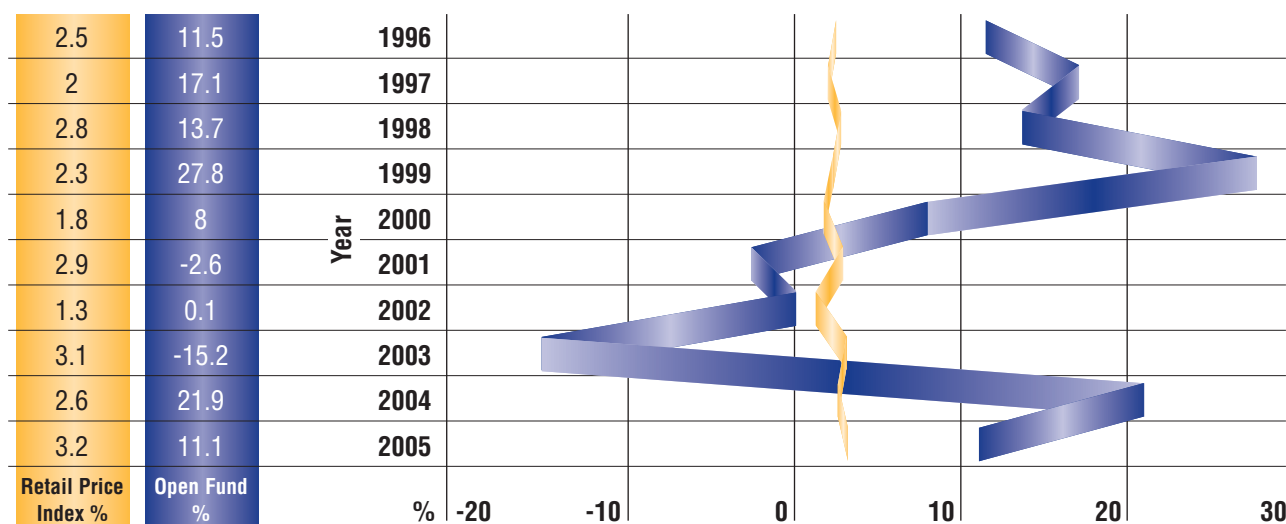
Managers Mandates and Performance – Open Fund

UK Equities (32% of total fund)

Schroder Investment Management (UK) Ltd (15% of total fund)

This part of the UK equity portfolio has the objective to outperform the UK FTSE All Share Index by 2% pa, net of base fees, over rolling 3 year periods and to limit underperformance against this index to 6% in any 12 month period. Schroder's fees are market value based with a performance related element. Over the year Schrodgers marginally underachieved their benchmark but over a rolling period of 2, 3 and 5 years they have exceeded the benchmark.

Chart 13
Rates of Return



Investment Performance Review

Fidelity Pensions Management Ltd

(17% of total fund)

This part of the UK equity portfolio has the objective to outperform the UK FTSE All Share Index by 1.5% pa, gross of base fees, over rolling 3 year periods and to limit underperformance against benchmark to 5% per annum over the same timescale. Fidelity's fees are market value based with a performance related element. Over the year Fidelity underachieved their benchmark. However, over a rolling 2 years they have exceeded the benchmark and over 3 years they are in line with the benchmark.

Fixed Interest (29% of total fund)

Morley Fund Management Ltd (29% of total fund)

The objective of this fixed interest portfolio is to outperform a composite benchmark by 0.75% pa, net of base fees, over rolling 3 year periods and to avoid underperforming the benchmark by more than 2% in any rolling 12 month period. Morley's fees are market value based. Over the year Morley achieved their benchmark.

Overseas Equities (23% of total fund)

Fidelity Pensions Management Ltd

(13% of total fund)

This part of the overseas equity portfolio has the objective to outperform its composite benchmark by 1.5%, gross of base fees, over rolling 3 year periods and to limit underperformance against benchmark to 4% per annum over the same timescale. Fidelity's fees are market value based with a performance related element. Over the year Fidelity outperformed their benchmark.

Barclays Global Investors (BGI) (10% of total fund)

Part of this overseas equity portfolio is managed to track a composite benchmark within a small deviation. For this BGI is remunerated on the basis of a fixed annual fee which increases in line with RPI. Over the year BGI exceeded their benchmark.

BGI also operate two currency funds, one of which is managed on a passive basis and the other on an active basis. The passive fund is operated to greatly reduce the effect of currency fluctuations within the

total overseas equity portfolio whereas the active fund aims to add additional positive return. No annual returns are available as both funds have been operating for less than one year. Fees for both funds are market value based.

Property (14% of total fund)

Fletcher King (14% of total fund)

The objective of this portfolio is to perform in line with the Investment Property Database (IPD) Property Index. Fletcher King is remunerated on the basis of an annual retainer fee together with transaction fees related to acquisition, disposals and lettings. In addition, further fees are payable based on the gross rental income of the portfolio, together with fees for work on rent and lease renewals. Over the year Fletcher King underperformed their benchmark. This underperformance was due to the size of our portfolio since a major part of the benchmark return related to major shopping centres and retail parks, sectors closed to the fund because of size.

Alternatives - Diversified Fund of Hedge Funds (2% of total fund)

Schroder Investment Management (UK) Ltd

(2% of total fund)

The objective of this portfolio is to outperform returns on cash by 6% to 9% over the interest rate cycle. No annual return is available as the fund has been operating for less than one year. Fees are market value based.

Manager Mandates and Performance – Closed Fund

Global Equities (24% of total fund (reserve assets only))

Fidelity Pensions Management Ltd

(24% of total Fund)

The objective of this portfolio is to outperform its composite benchmark by 1%, gross of base fees, over rolling 3 year periods. Fidelity's fees are market value based with a performance related element. Over the year Fidelity underperformed their benchmark.

The remaining 76% of assets are held in index-linked securities which are under the control of the Trustees.

Statement of Trustees' Responsibilities

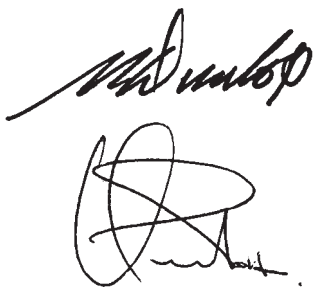
The financial statements are the responsibility of the Trustees. Pension scheme regulations require the Trustees to make available to scheme members, beneficiaries and certain other parties, audited financial statements for each scheme year which:

- show a true and fair view of the financial transactions of the Scheme during the scheme year and of the amount and disposition at the end of that year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year, and
- contain the information specified in the Schedule to The Occupational Pension Schemes (Requirements to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the financial statements have been prepared in accordance with the Statement of Recommended Practice 'Financial Reports of Pension Schemes'.

The Trustees have supervised the preparation of the financial statements and have agreed suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis.

The Trustees are responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates of contributions payable towards the Scheme by or on behalf of the Employers and the active Members of the Scheme and the dates on or before which such contributions are to be paid. The Trustees are also responsible for keeping records in respect of contributions received in respect of any active Member of the Scheme and for ensuring that contributions are made to the Scheme in accordance with the schedule of contributions.

The Trustees' Report was approved by the Trustees on 1 July 2005.



N DUNLOP }
K POTTER } Trustees

Schedule of Contributions

During the year, the contributions paid to the scheme by the Employers under the Schedule of Contributions were as follows:

	£'000
Employer normal contributions	2,015
Employee normal contributions	2,249
Total contributions payable under the Schedule of Contributions	4,264
Employees additional voluntary contributions payable to main fund	129
Total Contributions	4,393

Financial Statements

For the year ended 31st March 2005

Independent auditor's report to the Trustees of the ITB Pension Funds

We have audited the financial statements for the year ended 31st March 2005 which comprise the Statements of Income and Expenditure, the Net Assets Statement and the notes related thereto. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the Trustees, as a body, in accordance with The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme and the Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Trustees and the Auditors

As described in the Statement of Trustees' Responsibilities on page 39, the Trustees are responsible for obtaining financial statements which comply with applicable United Kingdom law and Accounting Standards and for making available certain information about the Scheme in the form of an Annual Report. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board of the Financial Reporting Council and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements show a true and fair view and contain the information specified in the Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. We report to you if we have not received

all the information and explanations that we require for our audit.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises the Trustees' Report, the Investment Report, the Actuarial Statements and Members' Information.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by or on behalf of the 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.

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. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements show a true and fair view of the financial transactions of the Scheme for the year ended 31st March 2005, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions

Independent auditor's report to the Trustees of the ITB Pension Funds

and benefits after the end of the Scheme year, and contain the information specified in Regulation 3 of the Schedule to The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995.

CHANTREY VELLACOTT DFK LLP
Chartered Accountants and Registered Auditors
WATFORD

26 July 2005

Independent auditor's report to the Trustees of the ITB Pension Funds

Independent Auditor's Statement about Contributions, under Regulation 4 of The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, to the Trustees of the ITB Pension Funds

We have examined the summary of contributions to the ITB Pension Funds in respect of the Scheme year ended 31st March 2005 which is set out in the Trustees' report on page 40.

This report is made solely to the Trustees, as a body, in accordance with Regulation 4 of The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme and the Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the trustees and the auditors

As described on page 39 the Scheme's Trustees are responsible for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions which sets out the rates and due dates of certain contributions payable towards the scheme by or on behalf of the employer and the active members of the Scheme. The Trustees have a general responsibility for procuring that contributions are made to the Scheme in accordance with the schedule of contributions.

It is our responsibility to provide a statement about contributions paid under the schedule of contributions and to report our opinion to you.

Basis of statement about contributions

We planned and performed our work so as to obtain the information and explanations which we considered necessary in order to give reasonable assurance that contributions reported in the attached summary of contributions have been paid in accordance with the relevant requirements. For this purpose the work that we carried out included examination, on a test basis, of evidence relevant to the amounts of contributions paid to the scheme and the timing of those payments under the schedule of contributions. Our Statement about contributions is required to refer to those material breaches of the schedule of contributions which come to our attention in the course of our work.

Statement about contributions under the scheme

In our opinion contributions payable to the Scheme during the year ended 31st March 2005 have been paid in accordance with the schedules of contributions certified by the actuary on 6th March 2002 and 17th December 2004.

CHANTREY VELLACOTT DFK LLP
Chartered Accountants and Registered Auditors
WATFORD

Statements of income and expenditure

for the year ended 31st March 2005

	Notes	Closed fund 2005 £'000	Open fund 2005 £'000	Combined fund 2005 £'000	Combined fund 2004 £'000
Income					
Members' contributions	3d, 17, 19	-	2,378	2,378	2,193
Employers' contributions	3d, 19	-	2,015	2,015	569
Total contributions		-	4,393	4,393	2,762
Transfers from other schemes	5	-	335	335	461
		-	4,728	4,728	3,223
Expenditure					
Retirement and death benefits	6	10,738	18,620	29,358	27,322
Withdrawals:					
Transfers to other schemes		31	55	86	222
Contribution refunds		-	105	105	101
Administration costs	7	442	921	1,363	1,317
		11,211	19,701	30,912	28,962
Net withdrawals from dealings with Members		(11,211)	(14,973)	(26,184)	(25,739)
Returns on investments					
Investment revenue	8	5,126	13,874	19,000	17,901
Net profit/(loss) arising on foreign exchange	10	-	37	37	(21)
Taxation	11	(46)	-	(46)	(122)
Change in market value of investments	12	8,027	37,694	45,721	87,979
Investment managers' fees	9	(174)	(1,092)	(1,266)	(1,589)
Net returns on investments		12,933	50,513	63,446	104,148
Net increase in the funds during the year		1,722	35,540	37,262	78,409
Net assets as at 31st March 2004		206,449	466,148	672,597	594,188
Net assets as at 31st March 2005		£208,171	£501,688	£709,859	£672,597

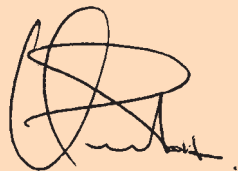
The notes on pages 47 - 59 form part of these financial statements.

Net assets statements

31st March 2005

	Notes	Closed fund 2005 £'000	Open fund 2005 £'000	Combined fund 2005 £'000	Combined fund 2004 £'000
Investments	12	207,322	498,063	705,385	668,873
Fixed assets	13	-	157	157	171
		207,322	498,220	705,542	669,044
Current assets					
External	14	1,450	8,043	9,493	4,798
Inter-fund balance	14	-	55	55	7
		1,450	8,098	9,548	4,805
Current liabilities					
External	15	546	4,630	5,176	1,245
Inter-fund balance	15	55	-	55	7
		601	4,630	5,231	1,252
Net current assets		849	3,468	4,317	3,553
Net assets as at 31st March 2005		£208,171	£501,688	£709,859	£672,597

The financial statements were approved by the Trustees on 1 July 2005

N DUNLOP }
K POTTER } Trustees

The notes on pages 47 - 59 form part of these financial statements.

Notes to the financial statements

for the year ended 31st March 2005

1 Organisation of the funds

The financial statements reflect the Actuary's report dated 22nd 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 1st April 1985.

The Closed Fund relates to former employees of discontinued Industrial Training Boards; all employees of continuing Boards whose service ceased before 31st March 1982; and, certain other employees of those Boards whose service ceased before 31st 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 31st March 2003 and on the Open Fund as at 31st March 2004.

The Reports on the Closed Fund for 2003 and on the Open Fund for 2004 concluded that the assets in both Funds would be adequate to meet the liabilities on the basis of the assumptions made.

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 Pension 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 that fall due after the end of the year. The actuarial position of the Funds, 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.

b) Valuation of investment assets

All investments, other than commercial property, are valued at their market value at 31st March 2005 determined as follows:

- i) Listed securities are valued at last traded price or mid-market price ruling at the balance sheet date.
- ii) Pooled investment vehicles are stated at the mid-point of the latest prices quoted by the managers prior to 31st March 2005.
- 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 31st March 2005, 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.

Notes to the financial statements

for the year ended 31st March 2005

c) Forward contracts for foreign currency

Forward contracts are valued at amounts that assume settlement at the spot rates ruling on 31st March 2005.

d) Contribution income

Contributions relating to wages and salaries earned up to 31st March 2005 have been included in these financial statements.

Enhancement costs represent amounts paid by Employers to improve the benefits of certain employees 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 31st March 2005. 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 31st March 2005.

i) Withdrawal benefits

Transfers payable 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 31st March 2005 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 Scheme during the year ended 31st March 2005, including amounts outstanding at the year end (see note 14), were paid in accordance with the Scheme Rules (and the recommendation of the Actuary).

Notes to the financial statements

for the year ended 31st March 2005

5 Transfers in	2005 £'000	2004 £'000
Individual transfers from other schemes	220	292
Individual transfers from Money Purchase Schemes (see note 18)	115	169
	£335	£461

6 Retirement and death benefits	Closed fund 2005 £'000	Open fund 2005 £'000	Combined fund 2005 £'000	Combined fund 2004 £'000
Retirement benefits:				
Lump sums	154	1,598	1,752	1,282
Members' pensions	7,965	15,223	23,188	21,968
Total retirement benefits	8,119	16,821	24,940	23,250
Death benefits:				
Lump sums	23	251	274	384
Dependants' pensions	2,596	1,548	4,144	3,688
Total death benefits	2,619	1,799	4,418	4,072
	£10,738	£18,620	£29,358	£27,322
2004	£9,984	£17,338		

Notes to the financial statements

for the year ended 31st March 2005

7 Administration costs

	Closed fund 2005 £'000	Open fund 2005 £'000	Combined fund 2005 £'000	Combined fund 2004 £'000
General administration:				
Employment costs	180	296	476	476
Office accommodation	33	53	86	86
General expenses	140	204	344	350
	353	553	906	912
Professional services				
Auditor's fees	13	20	33	31
Legal services	42	102	144	161
Investment consultancy	-	15	15	19
Actuarial services	23	200	223	165
Other	11	31	42	29
	£442	£921	£1,363	£1,317
2004	£436	£881		

During the year £22,352 of actuarial fees and £13,206 of legal fees were charged to the employers' surplus pots and are included in enhancement costs in note 19.

8 Investment revenue

	Closed fund 2005 £'000	Open fund 2005 £'000	Combined fund 2005 £'000	Combined fund 2004 £'000
Income from fixed interest securities	-	1,648	1,648	1,601
Dividends from equities and convertibles	819	5,030	5,849	5,428
Income from index linked securities	3,756	1,942	5,698	5,407
Income from pooled investment vehicles	149	527	676	625
Net rents from properties	-	4,626	4,626	4,422
Interest on cash deposits	402	100	502	411
Underwriting commission	-	1	1	7
	£5,126	£13,874	£19,000	£17,901
2004	£5,106	£12,795		

Notes to the financial statements

for the year ended 31st March 2005

9 Investment managers' fees

Under the powers given to them under the scheme 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 were managed during the year by Barclays Global Investors Limited, Fidelity Pensions Management Limited, Morley Fund Management Limited and Schroders Investment Management Limited, all of which are registered in the UK. The remuneration of these managers, with the exception of the Barclays Global Investors overseas portfolio whose remuneration is calculated on a flat fee basis, 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 fixed percentage of the market value of properties under management, with additional fees in respect of property purchases, sales, rent reviews and rental income.

10 Net profit / (loss) arising on foreign exchange

The profit / (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).

	2005 £'000	2004 £'000
Closed fund	-	-
Open fund	37	(21)
	£37	£(21)

Notes to the financial statements

for the year ended 31st March 2005

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 1st April 1999 and a reduction in members' and employers' contributions have been allowed to 31st March 2010, thus ensuring that the Fund complies with the requirements of the Finance Act 1986.

The actuarial valuation of the Closed Fund at 31st March 2003 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.

Provision has been made for taxation on the income and realised capital gains of the Closed Fund. This provision has been based on a taxable percentage of 8.7% (2004 - 13.7% up to October 2003 and 8.7% thereafter). These percentages were determined by the 2003 actuarial valuation.

The taxation charges suffered are income tax at 20% (2004 - 20%) on the taxable income and at 40% (2004 - 34%) on the taxable capital gains of the Closed Fund. No charge to capital gains tax arises due to the fact that the realised gains on the index-linked gilts are exempt from capital gains tax. The losses arising on the other investments will be carried forward to set against future gains.

	Closed fund 2005 £'000	Closed fund 2004 £'000
Income tax	87	137
Capital gains tax (see above)	-	-
	87	137
Prior year adjustment	(41)	(15)
	£46	£122

Notes to the financial statements

for the year ended 31st March 2005

12 Investments

The movements in investments during the year were:

	Closed fund 2005 £'000	Open fund 2005 £'000	Combined fund 2005 £'000	Combined fund 2004 £'000
Market value at 1st April 2004	205,362	463,511	668,873	590,689
Purchases at cost				
Property	-	-	-	
Fixed interest / index linked	13,835	232,365	246,200	
Equities	10,726	38,464	49,190	
Pooled investment vehicles	675	27,225	27,900	
Bank deposits	5,869	1,485	7,354	
Forward currency contracts	-	71,687	71,687	
	31,105	371,226	402,331	311,138
Disposal proceeds				
Property	-	(1,003)	(1,003)	
Fixed interest / index linked	(26,277)	(230,200)	(256,477)	
Equities	(9,960)	(43,336)	(53,296)	
Pooled investment vehicles	(935)	(28,272)	(29,207)	
Forward currency contracts	-	(71,557)	(71,557)	
	(37,172)	(374,368)	(411,540)	(320,933)
Change in market value of investments	8,027	37,694	45,721	87,979
Market value at 31st March 2005	£207,322	£498,063	£705,385	£668,873

Change in market value of investments comprises:

	£'000	£'000	£'000	£'000
Profit on realisation of investments	6,676	2,385	9,061	3,087
(Loss) / profit on forward currency contracts	-	(130)	(130)	30
Movements in unrealised profits	6,676 1,351	2,255 35,439	8,931 36,790	3,117 84,862
	£8,027	£37,694	£45,721	£87,979
2004	£15,522	£72,457		

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

Notes to the financial statements

for the year ended 31st March 2005

12 Investments (cont'd)

	Closed fund valuation 2005 £'000	Closed fund cost 2005 £'000	Open fund valuation 2005 £'000
Commercial property			
Freehold	-	-	54,560
Long leasehold	-	-	13,360
Fixed interest securities			
UK Public sector	-	-	32,362
Overseas	-	-	18,752
Index linked securities			
UK	144,853	94,598	57,198
Equities			
UK	28,929	25,514	155,202
Overseas	-	-	-
Pooled investment vehicles			
UK Public sector fixed interest securities	1,832	1,497	-
UK Corporate fixed interest securities	-	-	36,346
Overseas fixed interest securities	1,816	1,696	-
UK equities	344	277	3,212
Overseas equities	18,016	14,242	112,651
Diversified hedge funds	-	-	10,393
Bank deposits	11,532	11,532	3,783
Forward currency contracts	-	-	244
Total at 31st March 2005	£207,322	£149,356	£498,063
Total at 31st March 2004	£205,362	£148,747	£463,511

- Basis of valuation - as set out in note 3(b).
- Commercial properties are mainly retail and office premises with rent review periods of five years.

Open fund cost 2005 £'000	Combined fund valuation 2005 £'000	Combined fund cost 2005 £'000	Combined fund valuation 2004 £'000	Combined fund cost 2004 £'000
43,256 9,561	54,560 13,360	43,256 9,561	50,970 12,295	44,164 9,561
32,144 15,738	32,362 18,752	32,144 15,738	24,502 16,196	24,714 14,426
55,322	202,051	149,920	206,905	151,019
129,584 -	184,131 -	155,098 -	173,765 312	159,527 309
- 28,382 -	1,832 36,346 1,816	1,497 28,382 1,696	1,815 41,578 1,626	1,559 34,457 1,556
1,996 99,866 10,000	3,556 130,667 10,393	2,273 114,108 10,000	12,417 118,366 -	13,028 116,984 -
3,783 -	15,315 244	15,315 -	7,962 164	7,962 -
£429,632	£705,385	£578,988	£668,873	£579,266
£430,519	£668,873	£579,266		

Notes to the financial statements

for the year ended 31st March 2005

13 Fixed assets

	Cost £'000	Depreciation £'000
Balance at 1st April 2004	349	178
Additions	52	-
Depreciation charge	-	66
Balance at 31st March 2005	401	244
Net book value: 31st March 2005	£157	
Net book value: 31st March 2004	£171	

14 Current assets

	Closed fund 2005 £'000	Open fund 2005 £'000	Combined fund 2005 £'000	Combined fund 2004 £'000
Bank balances	235	1,075	1,310	536
Debtors:				
Amounts due from Employers				
Employers' contributions	-	285	285	45
Employees' contributions	-	191	191	145
Amounts due from brokers	199	3,835	4,034	104
Investment revenue receivable	1,003	2,618	3,621	3,898
Income tax receivable	-	1	1	8
Sundry debtors	13	38	51	62
External current assets	1,450	8,043	£9,493	£4,798
Inter-fund balance	-	55		
Individual funds' current assets 2005	£1,450	£8,098		

	Closed fund £'000	Open fund £'000	Combined fund £'000
31st March 2004:			
External current assets	1,413	3,385	£4,798
Inter-fund balance	-	7	
Individual funds' current assets 2004	£1,413	£3,392	

Amounts due from employers in respect of contributions, which relate to March 2005, were paid in full to the Scheme within the timescale required by the Schedule of Contributions currently in force.

Notes to the financial statements

for the year ended 31st March 2005

15 Current liabilities

	Closed fund 2005 £'000	Open fund 2005 £'000	Combined fund 2005 £'000	Combined fund 2004 £'000
Withdrawal benefits:				
Transfers and contribution refunds	-	14	14	36
Amounts due to brokers	338	3,816	4,154	76
Taxation	39	-	39	93
Sundry creditors	169	800	969	1,040
External current liabilities	546	4,630	£5,176	£1,245
Inter-fund balance	55	-		
Individual funds' current liabilities 2005	£601	£4,630		

	Closed fund £'000	Open fund £'000	Combined fund £'000
31st March 2004:			
External current liabilities	319	926	£1,245
Inter-fund balance	7	-	
Individual funds' current liabilities 2004	£326	£926	

16 Financial commitments

Currency commitment

At 31st March 2005 there were forward currency transactions amounting to £18,134,521 (2004 - £16,785,204) due for settlement in April 2005.

17 Member credited service

Additional voluntary contributions (AVCs) made during the financial year to purchase added years under the principal scheme of £129,122 (2004 - £136,813) are shown in the income of the Open Fund and the assets acquired with the AVCs are included in the net assets statement.

Notes to the financial statements

for the year ended 31st March 2005

18 Money purchase schemes

Additional Voluntary Contributions (AVCs) were receivable for separate investment for the benefit of individual Members. AVC arrangements are operated by Scottish Life Assurance Company (SLAC) and the Prudential Assurance Company (PAC) which includes a selection of unit linked investment funds.

The individual 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 certain Members convert these money purchase investments to provide additional benefits under the main scheme. Such transfers of investments are included in transfers from other schemes (see note 5). There is also an 'Open Market Option' available to members where they may use their accumulated AVC funds to purchase an annuity with an insurer of their choosing.

All administration provided by the ITB Pension Funds does not incur any cost for Money Purchase members.

The amounts involved during the year are as follows:

	Prudential 2005 £'000	Scottish Life 2005 £'000	Prudential 2004 £'000	Scottish Life 2004 £'000
Funds as at 1st April 2004	124	1,282	-	1,386
Members' AVC contributions	41	113	19	137
Transfers in	-	-	99	7
Interest credited by SLAC	-	27	-	23
Interest and bonuses credited by PAC	2	-	3	-
Change in market value of units	9	-	3	-
	176	1,422	124	1,553
Transfers out (including to main fund)	(6)	(79)	-	(271)
Funds at 31st March 2005	£170	£1,343	£124	£1,282

Monies invested with SLAC are invested in the Scottish Life Deposit Administration Fund.

Monies invested with PAC are invested in any of the following funds at the discretion of the Member concerned:

- With Profits
- Deposit
- Balanced
- Overseas Equity (Passive)
- UK Equity (Passive)
- Fixed Interest
- Socially Responsible
- Retirement Protection

Notes to the financial statements

for the year ended 31st March 2005

19 Utilisation of the Actuarial Surplus of the Open Fund

The terms of the agreement between the Trustees and the Employers on the way the 1998 surplus should be dealt with resulted in an amount being allocated to individual Employers but retained within the Fund. The pots are revalued annually in line with the return on the fund. The Employers are able to use these amounts 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:

	2005 £'000	2004 £'000
Members' contributions	104	130
Employers' contributions	1,335	1,689
Enhancement costs	711	1,010

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. In addition, certain expenses incurred by the Funds are charged against Employer surplus amounts and are included in enhancement costs noted above (see note 7).

Supplementary Information

Disputes Procedure

The Pensions Act 1995 requires that all pension schemes have a formal disputes procedure in place allowing members, prospective members, beneficiaries and contingent beneficiaries an avenue for complaint.

It is hoped that Members and beneficiaries will always be pleased with the service provided by the ITB Pension Funds' Office and that no one has reason to complain. However, in the unlikely event that a complaint arises and a member of the Funds' staff fails to provide a satisfactory answer, then a copy of the formal Disputes Procedure is available upon request to The Director, The ITB Pension Funds, 23 King Street, Watford WD18 0BJ.

TPAS (The Pensions Advisory Service)

TPAS is available to assist members and beneficiaries of pension schemes in connection with any pensions query they may have or with any difficulties they may have encountered and which they have failed to resolve through the Disputes Procedure with the Trustees or Administrators of their pension scheme. OPAS is at 11 Belgrave Road, London SW1V 1RB.

Pensions Ombudsman

If OPAS is unable to resolve the problem, application can be made to the Pensions Ombudsman for an adjudication. The Pensions Ombudsman is appointed under the Pension Schemes Act 1993. The Ombudsman is available to investigate and determine any special complaint or dispute of fact of law in relation to an occupational pension scheme from an individual or between an individual and the Trustees. Scheme members, beneficiaries and prospective members, that is people claiming an entitlement to join, may call upon the services of the Pensions Ombudsman. The Ombudsman will normally only investigate a complaint if it has first been investigated by OPAS. The Ombudsman's address is also 11 Belgrave Road, London SW1V 1RB.

Pensions Regulator

On 6 April 2005, the Pensions Regulator replaced the Occupational Pensions Regulatory Authority (OPRA) as the regulator of work-based pension in the UK. The Pensions Regulator is created under the Pensions Act 2004, which sets out a new regulatory framework for pensions.

The address for the Pensions Regulator is Napier House, Trafalgar Place, Brighton BN1 4DW.

Pensions Scheme Registry

The register of Occupational and Personal Pension Schemes, is maintained by The Pensions Regulator. Information about the Scheme, including current and previous employers associated with the Scheme, has been forwarded to the registrar in accordance with Regulations. The registry enables members to trace schemes with which they have lost touch. Should you need to trace a previous scheme, you can telephone the Pensions Tracing Service on 0845 6002537.

Inland Revenue Approval

The ITB Pension Funds have exempt approval under Chapter I part XIV of the Income and Corporation Taxes Act 1988. (Inland Revenue Reference No. SF49/1669)

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

Website: www.itb-online.co.uk

E-mail to: Pensions@itbpensionfunds.demon.co.uk

