



The ITB Pension Funds

Trustees' Report & Financial Statements 2006-2007



INVESTORS IN PEOPLE



Skills for Logistics

Scheme Reference No. 10169800

The ITB Pension Funds, consisting of the Open and Closed Fund, is set up under a Trust Deed and Rules and administered by a Board of Trustees comprising of Member, (including Pensioner) and Employer Trustees. It is a Registered Pension Scheme under Chapter 2 of Part 4 of the Finance Act 2004. Members are contracted-out of the State Second Pension (S2P). 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 paying contributions and while predominantly invested in index-linked gilts also employs an independent external investment manager.

Employees of the Participating Employers may join the ITB Pension Funds (Open Fund) subject to eligibility conditions. The Open Fund is a 'defined benefit scheme' and provides pension and life assurance benefits based on a Member's salary and service. With effect from 1 January 2007 the Open Fund consisted of three separate sections: the original section of the Open Fund known as the 'Old Section', the 'New Section' which was introduced on 1 September 2003 and the '2007 Section' which was introduced on 1 January 2007. Both the 'New' and '2007' Sections are available to those Employers who wish to provide a revised level of benefits and have made the necessary election.

# Trustees' Report

## Contents

### Trustees' Report

Chairman's Statement	4
Five Year Summary	7
Board of Trustees	8
Trusteeship	10
Officers and Advisers	12
Participating Employers	13
Review of Principal Activities	14
Membership	15
Transfer of Benefits	20
Increases in Pensions	21
Actuarial Valuation	23
Actuarial Statements	25
Fund Accounts	29
Investment Report	31
Statement of Trustees' Responsibilities	40
Summary Funding Statement	41
Table of Contributions	44

### Financial Statements

Auditor's Report and Statement	46
Fund Accounts	49
Net Assets Statements	50
Notes to the Financial Statements	51

<b>Supplementary Information</b>	<b>64</b>
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## Chairman's Statement

I am delighted to introduce this my first statement as Chairman of the ITB Pension Funds. I am equally pleased to report that under the stewardship of your Trustees the Open Fund remains in a healthy position and in partnership with our Participating Employers who sponsor the Scheme, it continues to offer defined benefit (salary-linked) pension arrangements to current members and is still open to new employees. Notably, this is at a time when many similar schemes in other industries have either been wound-up or closed to new members by their sponsors, because of their concern with the rising and uncertain costs of pension provision associated with salary-linked schemes.

We continue to operate in an increasingly regulated environment that is becoming ever more challenging and complex as pension schemes become subject to an even broader range of laws, regulations and standards. This pace of legislative change has significantly altered the environment in which pension schemes nowadays operate. As detailed in the March 2006 edition of the Funds' newsletter 'Pension News' the Government introduced in the Finance Act 2004 a unified tax regime that applied to all types of pension scheme from 6 April 2006. It effectively swept away the previous tax rules that stretched across a number of different regimes on benefit provision and replaced them with one new regulatory regime. For the most part it was good news for our members, with perhaps the single most important change being the introduction of the Lifetime Allowance (LTA). This places a capital value on your pension benefits with a limit on total benefits which is £1.6 million with effect from 6 April 2007. In short, if you commenced drawing your pension after 6 April 2006 your pension is multiplied by 20 to arrive at its capital value and if you commenced receipt of pension before then it is multiplied by 25. One significant consequence of this change is that a vast majority of members and pensioners will no longer be subject to any Inland Revenue limits restricting the amount of pension they can receive from the ITB Funds. The preparatory work undertaken for this by your Trustees and the Funds' Office attained the desired result of having all the required changes arising from this legislation being implemented on the due date.

The Pension Protection Fund (PPF), which was introduced by the 2004 Pensions Act, has now been in existence for some two years. It is designed to protect scheme members from the loss of their pension rights in

the event that a sponsoring employer becomes unable to meet its pension obligations to its pension scheme. However, the benefits available from the PPF have certain limitations applying. The PPF is funded by an annual levy which it imposes on all pension schemes, part of which is on a risk based assessment and is important because an employer's high risk assessment would result in a higher levy being due to the PPF. I am happy to report that the ITB Open and Closed Funds PPF levy is at the lower end of the payment scale reflecting the view that the ITB Funds are regarded as being at the lower end of the risk scale for pension funds.

Additionally, scheme trustees are now being required to monitor the financial strength of sponsoring employers and their individual ability to meet their ongoing contribution obligations to their pension schemes is one of the main requirements of The Pensions Regulator (the UK regulator of work-based pension schemes, whose top priority is to tackle risks to members' benefits in UK pension schemes). This, amongst other things, involves us considering our Participating Employers' credit worthiness and their risk of insolvency, which we regularly do with our specialist advisers in this area of financial analysis. I am able to report that during the last review year all the Participating Employers continued to meet their contribution requirements to the ITB Pension Funds and there has been no matter to report to the Pensions Regulator. However, given the economic climate in which our Participating Employers operate, employer solvency cannot be taken for granted and thus will remain a key issue for your Trustees as we are keen to ensure that the Open Fund remains in a healthy condition.

The Open Fund's investment portfolio turned in a year of reasonable results on the back of mixed investment returns on the equity content of the portfolio, which represents its largest sector and the gains from its investments overall helped to underpin the financial position of the Scheme. The Closed Fund also achieved a satisfactory return on its portfolio of investments. These investments are, in the main, in Government index-linked stock aimed at matching the pension liabilities as they arise for pensioners and deferred members, as there are no active members in the Closed Fund.

The Trustees' Statements of Investment Principles (SIP) sets out our approach on the investment of the assets of



## Chairman's Statement

the two funds. We review these statements at least once every year and are required to consult with the Participating Employers before changing and adopting any new investment strategy. The current SIPS can be found on the ITB Pension Funds website at [www.itb-online.co.uk](http://www.itb-online.co.uk).

However, whilst the investment gains made during the year have been a very welcome contribution to the overall growth in the Funds' assets, the advice of the Scheme Actuary is that it needs to be balanced by the need to increase the value of the liabilities as a result of people living longer. The impact of using assumptions that the membership will live longer translates to pensions having to be paid for longer which usually means an increase in costs. It underscores the risk of change that schemes are continually exposed to which is outside the control of scheme trustees.

Your Trustees are committed to maintaining the security of members benefits and evaluating changes such as these that have a financial impact on the Funds is a key responsibility.

Moreover, after receiving a number of requests from our Employers to introduce greater flexibility in relation to their future contribution costs by way of new lower cost pension options, we agreed to the establishment of a new lower cost salary-linked section to the Open Fund (the 2007 Section) to compliment the existing Old and New Sections. In doing so, your Trustees recognise the increased cost of pension provision may be a significant problem for some Participating Employers businesses and the need for those Employers to maintain their funding positions in order to continue to provide salary-linked pension benefits under the Open Fund.

This flexibility extended to allowing greater cost sharing with Old Section members as well as the Employers ability to switch current Old Section members to New Section benefits for future pensionable service, therefore, allowing Employers greater scope to voluntarily make decisions based on their individual circumstances. By taking early measures to maintain the funding position of the Open Fund, its long term viability can be better maintained during a period that is generally acknowledged to be challenging for salary-linked schemes.

Decisions such as these are not taken lightly, but importantly we must keep in mind that it is the Employers' commitment to the provision of salary-linked pensions as well as strong investment performance which provides the income to fund the pension benefits provided.

The Pensions Act 2004 and the Scheme Funding Regulations of 2005 set out the requirements for a new funding regime for defined benefit pension schemes by introducing Scheme Specific Funding arrangements to apply to actuarial valuations of pension schemes. These are intended to encourage pension schemes to increase funding levels and requires Trustees to use prudent assumptions in deciding the scheme contribution rates and where necessary to seek additional contributions from Employers. Your Trustees and the Participating Employers are required to agree to key elements of the funding of schemes to ensure that there are sufficient and appropriate assets to meet the benefits accrued at the valuation date and in so doing lessen the possible risk of calls on the Pension Protection Fund in the event of an Employer's insolvency.

Preparatory work has commenced on the triennial valuation of the Open Fund to be carried out as at 31 March 2007. The conclusion of the process is expected early next year and once approved a summary will be published in an edition of 'Pension News'. This valuation will be the first to be conducted under the Scheme Specific Funding regime and it will necessitate a new funding method to be adopted and for the Trustees to set prudent assumptions. Utilising prudent assumptions in the valuation process is consistent with the established practice of your Trustees.

The financial assessments that we have had carried out on the Open Fund in the intervening period since the last formal valuation have shown the Fund to be well placed on an ongoing basis. However, this position is exposed to the risk of changes in interest rates and market values of investments as well as inflation and, as previously mentioned, the increasing longevity of Scheme members.

As required by the new legislation, the assumptions and method to be used for a valuation will be set by your Trustees with advice from the Actuary. These are then incorporated into a Statement of Funding Principles for the consideration of Participating Employers.

## Chairman's Statement

The triennial valuation of the Closed Fund as at 31 March 2006 was completed during the year and it too was the first valuation of the Closed Fund to be subject to the new Scheme Specific Funding regime. The results disclosed a surplus of £20.8 million of assets over liabilities and your Trustees applied the maximum permitted by the Rules to provide special increases in pensions for pensioners, deferred pensions and dependants of the Closed Fund payable with effect from 1 January 2007. These increases are in addition to the annual pension increases paid to both the Closed and Open Funds, which for this year was 3.6% based on the increase in the Retail Price Index, where these uplifts will be paid from April 2007.

After undergoing a programme of further upgrading the Funds' website facilities 'ITB Online' [www.itb-online.co.uk](http://www.itb-online.co.uk) and 'MyITB' [www.myitb.com](http://www.myitb.com) have been deployed and provide an even more comprehensive service for all categories of membership. These facilities form an integral part of your Trustees' commitment to member communication. The 'ITB Online' site is an easily accessible resource for information about the Funds and the new key feature of this site is the individually tailored content it provides. Amongst the new features of our interactive pension modelling website 'MyITB' are the new facilities which enable deferred members to model their pension and create instant on-line benefit statements in a similar manner to active members and pensioners to check on-line versions of their monthly payslips, annually issued P60's and check the amount of their spouse's pension that could become payable. The 'MyITB' site employs access security measures of internet banking standards and includes a variety of anti-fraud measures in order to protect the integrity of our members' information.

In this and all other matters of the Funds' operations it is important for me to give special mention to the Funds' Office staff headed by their Director, Vincent Gordon. In them we have a vital but small team of committed individuals who provide us all with tremendous support and their role is critical in a service business such as the ITB Pension Funds. Their contribution is highly appreciated.

The year has been characterised by a number of significant actions which have helped position the Funds more favourably for the future and I have been fortunate indeed to work with fellow Trustees who take decisions objectively and in the interests of the Funds. Their diverse and wide ranging business experience has proved invaluable and I would like to express my gratitude to all of them for their assistance throughout the year.

Lastly, I reserve special mention for George Beveridge, who, on 31 March 2007 stepped down from his role as Employers' Deputy Chairman after serving the Funds for over 12 years. It has been my privilege to have worked with George on the Board of Trustees for 5 years. We also served together on the Management Panel and Investment Committee. His strategic thinking and depth of knowledge and experience have all been important to the development of the Funds. On behalf of the Board I would like to thank him for the tremendous contribution he has made to the Funds and wish him a long and happy retirement.

As we move into another year it is never easy to totally predict the challenges that the Funds' and your Trustees will face. There are of course core areas that will retain our focus, such as maintaining a resilient performance from the Funds' investments. However, we conclude the current year with the Funds being well positioned and underpinned with a solid financial profile and a secure funding platform.

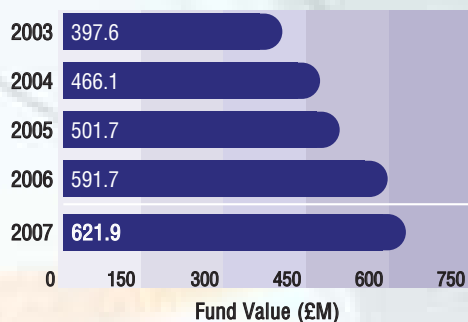
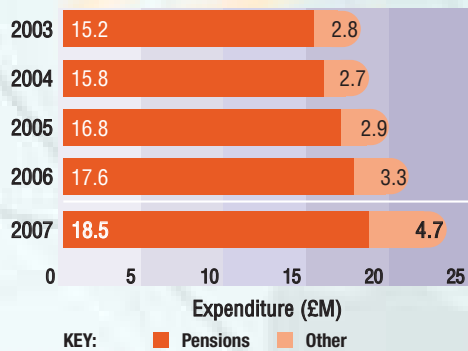
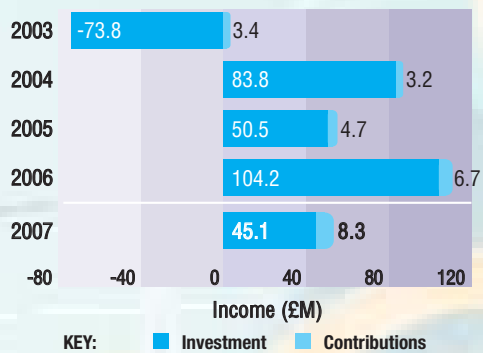
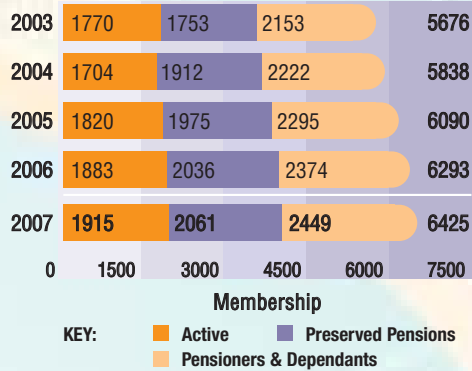


PETER ROGERSON OBE  
Chairman of Trustees

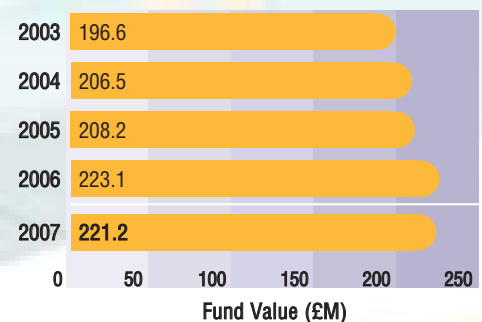
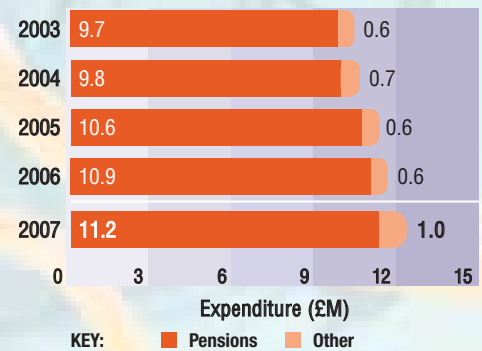
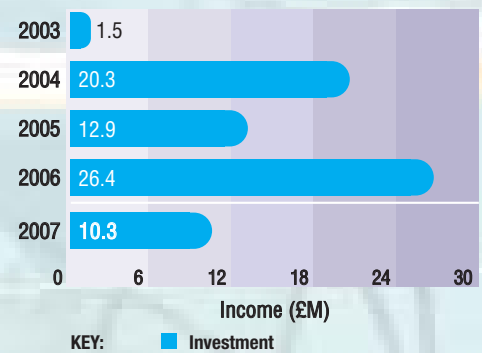
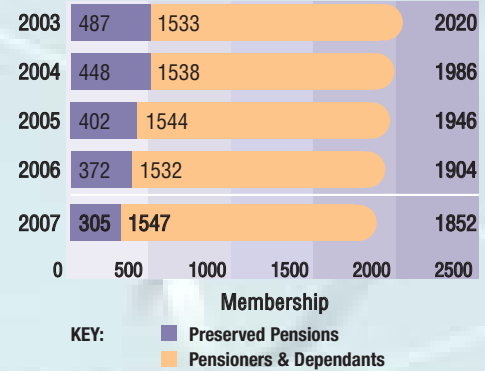
6 July 2007

## Five Year Summary

### Open Fund



### Closed Fund



## Board of Trustees



**Peter Rogerson, OBE E**  
(Chairman)  
Nominated by:  
ConstructionSkills<sup>1</sup>  
(Deputy Chairman of  
ConstructionSkills)

**Jonathan Swift E**  
(Deputy Chairman)  
Nominated by:  
Lantra  
(Deputy Chairman of Lantra)



**Ken Potter M**  
(Deputy Chairman)  
Nominated by:  
JTL  
Scottish Electrical Charitable  
Training Trust (SECTT)  
(Finance Director for JTL)

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



**Professor Tom Cannon E**  
Nominated by:  
CAPITB plc  
Skillfast-UK Limited  
(Chief Executive Officer of  
Ideopolis International)

**Peter Crowther M**  
Nominated by:  
Cogent SSC Limited  
(Skills Development Team  
Leader for OPITO<sup>2</sup>)



**Neil Davis E**  
Nominated by:  
Engineering Construction ITB  
(Non-Executive Director for  
ECITB)

**John Edwards M**  
Nominated by the Trade Union  
for:  
Engineering Construction ITB  
(Consultant, Product  
Development and Occupational  
Standards for ECITB)



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

**Bob Hanks E**  
Nominated by:  
Polymer Industry Education and  
Training Trust Limited  
Automotive Skills Limited  
Skills for Logistics  
(Managing Director of Ian Burg  
Plastics Ltd)



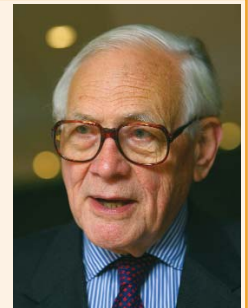


## Board of Trustees



**Peter McCulloch *M***  
Nominated by Trade Union for:  
ConstructionSkills\*  
(*Company Development Adviser  
for ConstructionSkills*)

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



**Madge Moore *M***  
Nominated by:  
Lantra  
(*National Director - England for  
Lantra*)

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



**Trevor Oliver *M***  
Nominated by:  
Polymer Industry Education and  
Training Trust Limited  
Automotive Skills Ltd; CAPITB Plc  
Skillfast-UK Limited  
Skills for Logistics  
People 1st  
(*Technical Adviser for Polymer  
Industry Education and  
Training Trust Limited*)

**Simon Tarr *E***  
Nominated by:  
People 1st  
(*Finance Director for People 1st*)



**Tim Mahoney *M***  
Nominated by:  
Science, Engineering and  
Manufacturing Technologies  
Alliance  
(*Cross Sector Funding Adviser  
for Science, Engineering and  
Manufacturing Technologies  
Alliance*)

**Clare Fisher-Smith *E***  
Nominated by:  
Cogent SSC Limited  
(*Financial Controller for Cogent  
SSC Limited*)



**KEY:** *E* - Employers' Trustees      *M* - Members' Trustees      *P* - Pensioners' Trustees

\*ConstructionSkills is the trading name of Construction ITB.  
 ²OPITO is the trading name of Cogent Sector Services Limited.

## 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 8 and 9 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 year 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. The exception to this is 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

Peter Crowther was duly appointed to commence a term as members' Trustee for Cogent SSC Limited with effect from 6 October 2006 succeeding Neville Gall who left service on 15 September 2006.

Tim Mahoney was duly appointed to become the Members' Trustee for Science, Engineering & Manufacturing Technologies Alliance with effect from 7 July 2006, succeeding Allan Whatmore who retired from service on 30 April 2005.

#### Employer Trustees

George Beveridge, the Employers' Trustee for Cogent SSC Limited retired from service on 31 March 2007. (Succeeded by Clare Fisher-Smith on 6 July 2007).

There were no other changes to the composition of the Board of Trustees during the year.

#### Chairman

The period of office of Peter Rogerson OBE as Chairman is due to end on 31 March 2009.

#### Deputy Chairmen

George Beveridge retired from office as Deputy Chairman (Employers) on 31 March 2007. He was succeeded in the role by Jonathan Swift on 1 April 2007.

The period of office of Ken Potter as Deputy Chairman (Members) is due to end on 31 December 2008.

### Trustee Training – Induction and Updating Knowledge

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

## Trusteeship

### Meetings

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

### Committees

The Investment Committee, the 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'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.

During the Scheme year to 31 March 2007 the Investment Committee comprised of six Trustees, including the Chairman of the Trustees. The members were:

Mr PG Rogerson, OBE	-	Chairman
Mr G Beveridge	}	Joint Deputy Chairmen
Mr KJF Potter		
Mr DC Barnett	}	Trustees
Mr SCV Tarr		
Mr J F Swift		

Effective 1 April 2007, Jonathan Swift became one of the two Joint Deputy Chairman of the Investment Committee, following George Beveridge's retirement.

### Management Panel

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.

During the year to 31 March 2007 the Management Panel comprised of four Trustees, including the Chairman of the Trustees. The members were:

Mr PG Rogerson, OBE	-	Chairman
Mr G Beveridge	}	Joint Deputy Chairmen
Mr KJF Potter		
Mr RS Hanks	-	Trustee

Effective 1 April 2007, Jonathan Swift became one of the two Joint Deputy Chairman of the Management Panel, following George Beveridge's retirement.

### 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 Salaries Committee meet as and when required.

During the year to 31 March 2007 the members of the Committee were:

Mr PG Rogerson, OBE	-	Chairman
Mr G Beveridge	-	Deputy Chairman
Mr RS Hanks	-	Trustee

Effective 1 April 2007, Jonathan Swift replaced George Beveridge on the Salaries Committee following his retirement on 31 March 2007.

## Officers and Advisers at 31 March 2007

### 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 Henderson Global Investors Limited
Property Investment Managers	Fletcher King
Investment Advisers	Watson Wyatt Limited Mellon Analytical Solutions Europe Limited
Custodians	JP Morgan Chase Bank Barclays Global Investors Limited Universal Pension Trustees Limited
Auditors	Chantrey Vellacott DFK LLP

**Vincent Gordon**



**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: Road Haulage & Distribution Training Council withdrew from the ITB Pension Funds. The date of termination was 31 May 2006.

Skillfast-UK Limited applied to become a Principal Successor Body participating in the ITB Pension Funds in its own right. It had previously been a Subsidiary Successor Body under the auspices of CAPITB plc. The Trustees' approved this application and Skillfast-UK Limited became a Principal Successor Body with effect from 7 July 2006.

Science, Engineering and Manufacturing Technologies Alliance (SEMTA) established the National Skills Academy for Manufacturing Ltd (NSAM). With effect from 8 December 2006, NSAM became a wholly owned subsidiary of SEMTA.

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

### Automotive Skills Limited

#### CAPITB plc

Subsidiaries:  
Global Resource Management PLC  
RTITB Limited

#### Cogent SSC Limited

Subsidiaries:  
OPITO<sup>1</sup>  
Skills Assurance Services Limited

#### ConstructionSkills<sup>2</sup>

#### Engineering Construction ITB

#### JTL

#### Lantra

#### People 1st

#### Polymer Industry Education and Training Trust Limited

#### Science, Engineering and Manufacturing Technologies Alliance

Subsidiaries:  
EMTA Awards Limited  
Metals Industry Skills and Performance Limited (MetSkill)  
Training Publications Limited  
National Skills Academy for Manufacturing (NSAM)

#### Scottish Electrical Charitable Training Trust

#### Skillfast-UK Limited

#### Skills for Logistics

<sup>1</sup>OPITO is the trading name of Cogent Sector Services Limited.

<sup>2</sup>ConstructionSkills is the trading name of Construction ITB.

## Review of Principal Activities

Described below are the most significant developments and initiatives that have influenced the activities of the ITB Pension Funds over the past year.

### Website Improvements

Both the Funds' websites have been improved and re-launched as part of ITB's continued commitment to providing our members with the very best in communication solutions.

Following the success of the Funds' Office's award-winning interactive website 'MyITB' ([www.myitb.com](http://www.myitb.com)), which on its initial launch provided pension-modelling facilities to our Active Members, the scope of the site has been extended. Deferred Members can now also model their pension and create instant online benefit statements in a similar manner to Active Members, and Pensioners can check online versions of their monthly payslips, annually issued P60s and check the widow/er's pension that could become payable to their spouse.

'ITB Online', ([www.itb-online.co.uk](http://www.itb-online.co.uk)) the Funds' Office's information website, was also revamped – both for members and employers. The improved site, which uses a simple login system, is better equipped to deal with the increasingly diverse nature of the Funds' membership and the range of communications that are applicable to each group of members. The ITB Pension Funds consists of both the Closed and Open Fund, the latter of which now incorporates three distinct sections.

### Open Fund Flexibility

In response to the calls from the Participating Employers to allow greater flexibility in relation to their future pension costs, a third Section of the Open Fund was established with effect from 1 January 2007 – called the 2007 Section, which now compliments the Old and New Section. This lower cost Section continues to provide its members with Defined-Benefit, salary-linked pensions, although of a lower value than the existing Old and New Sections. The 2007 Section is available to new applicants employed by those Employers who have elected to provide the 2007 Section.

Additional flexibility was also provided in relation to the cost sharing for members of the Old Section (where Employers can now increase the member's share of the overall cost), as well as allowing Employers to move their current Old Section members across to the New Section for future benefits accrual.

### Actuarial Valuations

The results of the Closed Fund triennial valuation, carried out as at 31 March 2006, were announced during the Scheme Year. This was a significant valuation, in that it was the first to be subject to the new Scheme Specific Funding requirements. The strong results of this latest valuation allowed the Trustees to sanction a discretionary increase of 3.6% to all Closed Fund members and pensioners – which was duly arranged and implemented by the staff at the Funds' Office.

The results of the formal triennial valuation of the Open Fund, which is due to be carried out as at 31 March 2007, are expected to be announced in the second half of the current Scheme year.

### Legal Update

On 1 December 2006 the new Age Discrimination Act came into force having far reaching effects on employment law and associated matters – including pensions. Although pensions were exempt from some of the age-based rules of the Act, there were important considerations for the Trustees, to ensure that the ITB Pension Funds was fully compliant with the new legislation. The Funds' Legal Advisers assisted in a complete review of the benefit design and proposed limited changes to the Rules – which were agreed by the Trustees and then Employers.

The hard work of the Trustees and Funds' Office in preparation for A-Day (6 April 2006) came to fruition early in the Scheme year as the Fund was well equipped for the transition to the new HM Revenue & Customs tax regime, which was brought about by the Finance Act 2004.

### Employer Solvency

Of paramount importance to the Trustees is the protection of the Funds' financial stability. Key to this, of course, is the strength of the sponsoring Employers and bearing this in mind the Trustees conduct regular health checks on the solvency position of the Participating Employers. This prudent approach should help to identify any potential problems at an early stage.

### Objectives

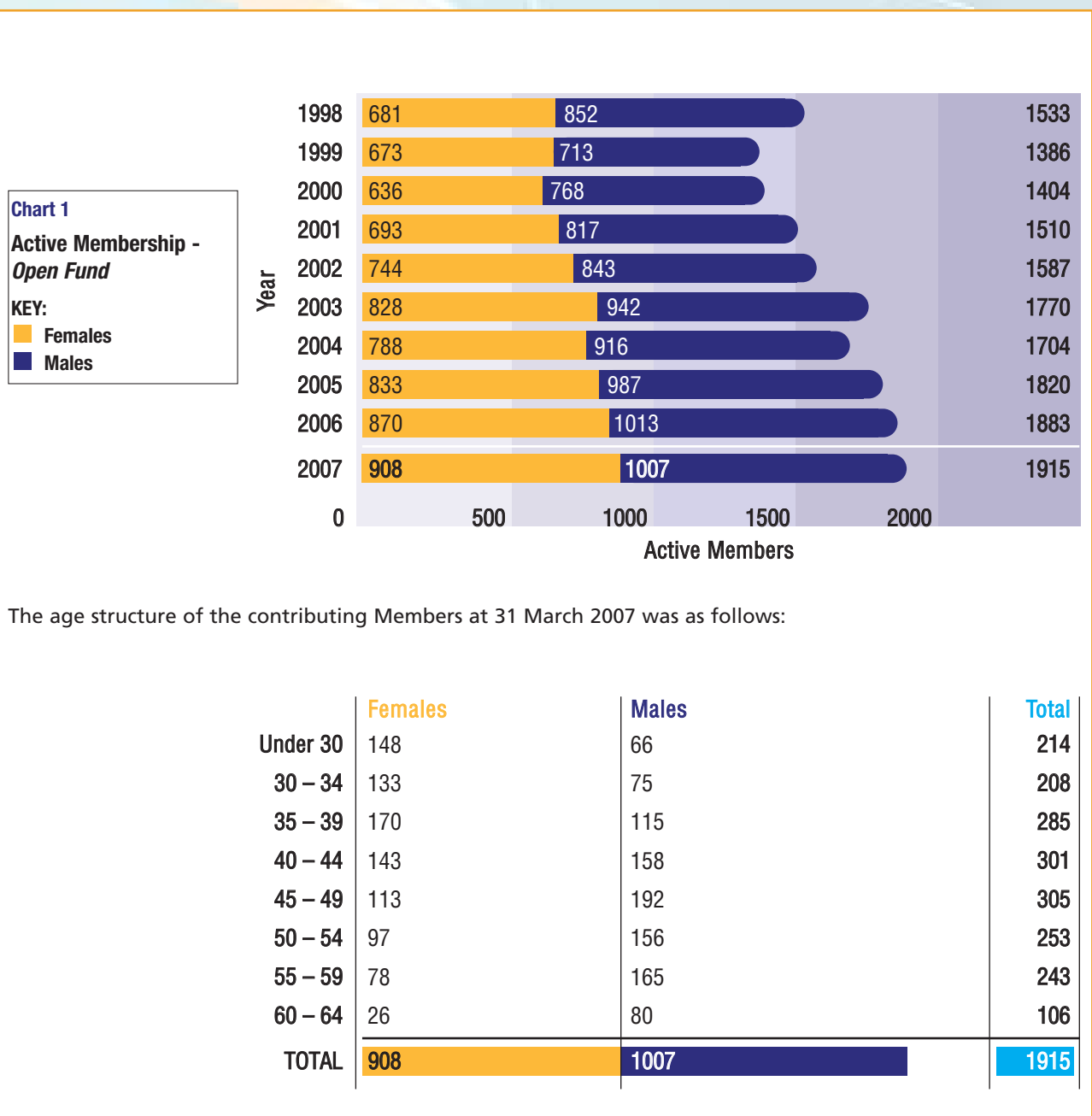
The Funds' Office is committed to operating to the highest standards of management. Team-driven responsibilities, with first-rate service and reliability for our Members and Participating Employers along with continuous improvement are the key drivers in striving for operational excellence.

## Membership

### Active Members – Open Fund

The ITB Pension Funds consist of two separate Funds, the Open Fund and the Closed Fund. All active Members are in either the "Old", "New" or "2007" Section of the Open Fund.

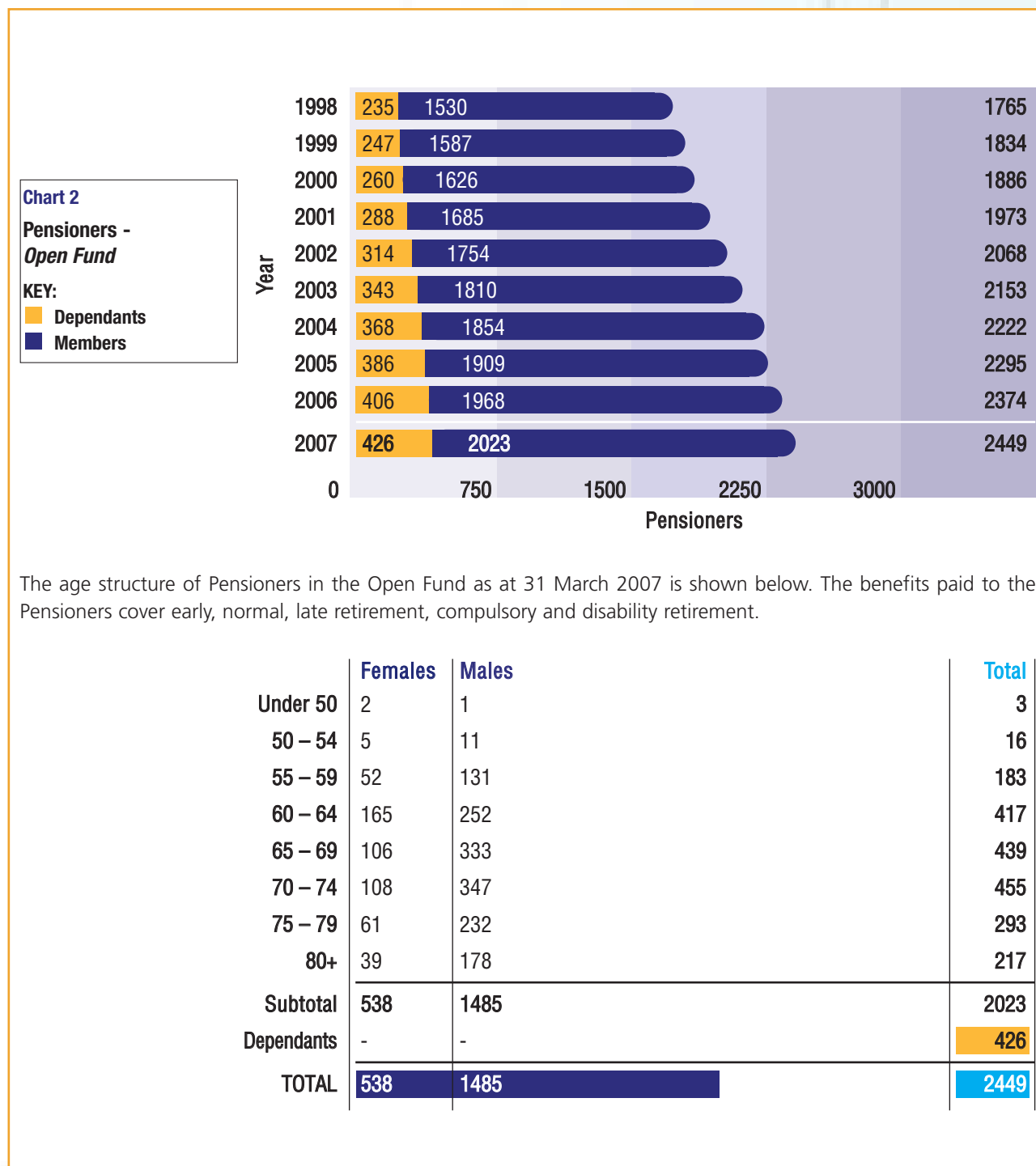
The Open Fund has again continued to grow steadily due mainly to the increased demand for training services from some of the industries in which the Employers who participate in the Scheme are involved, and as was the case last year, some Employers continue to restructure their businesses.



## 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.



The age structure of Pensioners in the Open Fund as at 31 March 2007 is shown below. The benefits paid to the Pensioners cover early, normal, late retirement, compulsory and disability retirement.

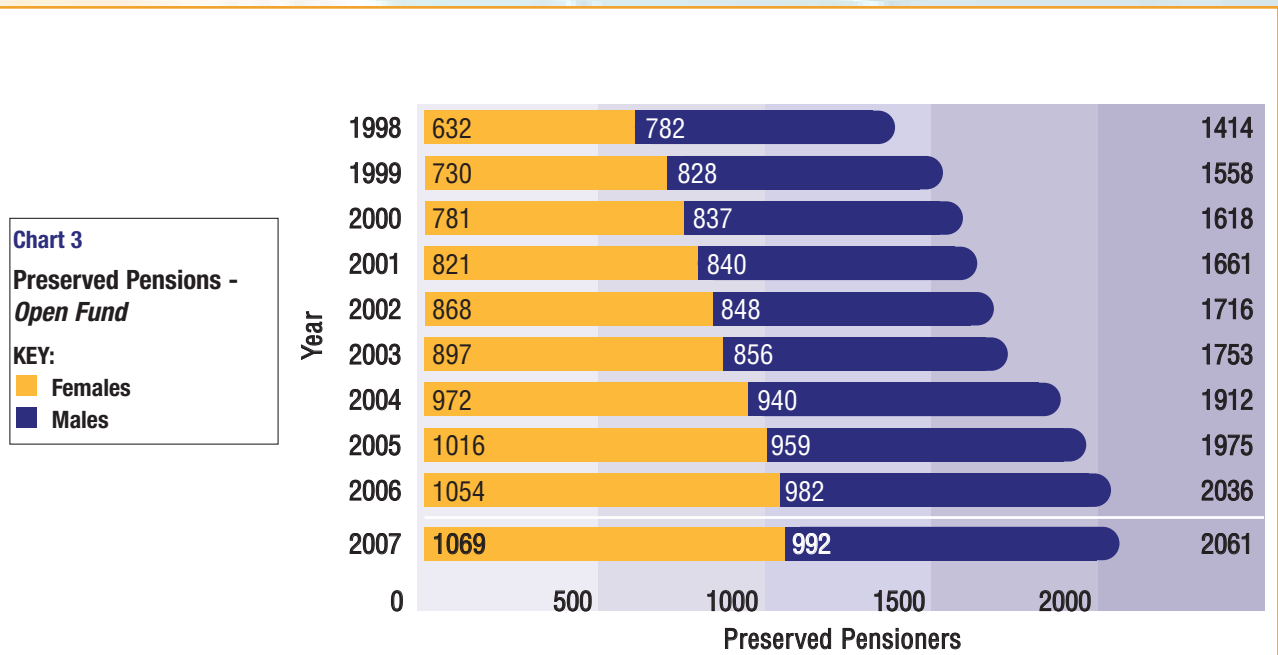
	Females	Males	Total
Under 50	2	1	3
50 – 54	5	11	16
55 – 59	52	131	183
60 – 64	165	252	417
65 – 69	106	333	439
70 – 74	108	347	455
75 – 79	61	232	293
80+	39	178	217
<b>Subtotal</b>	<b>538</b>	<b>1485</b>	<b>2023</b>
<b>Dependants</b>	-	-	<b>426</b>
<b>TOTAL</b>	<b>538</b>	<b>1485</b>	<b>2449</b>



## Membership

### Preserved Pensions – Open Fund

The number of preserved pensioners in the Open Fund as at 31 March 2007 is shown below. Preserved pensioners (also sometimes referred to as deferred 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.



The age structure of preserved pensioners in the Open Fund as at 31 March 2007 is as follows:

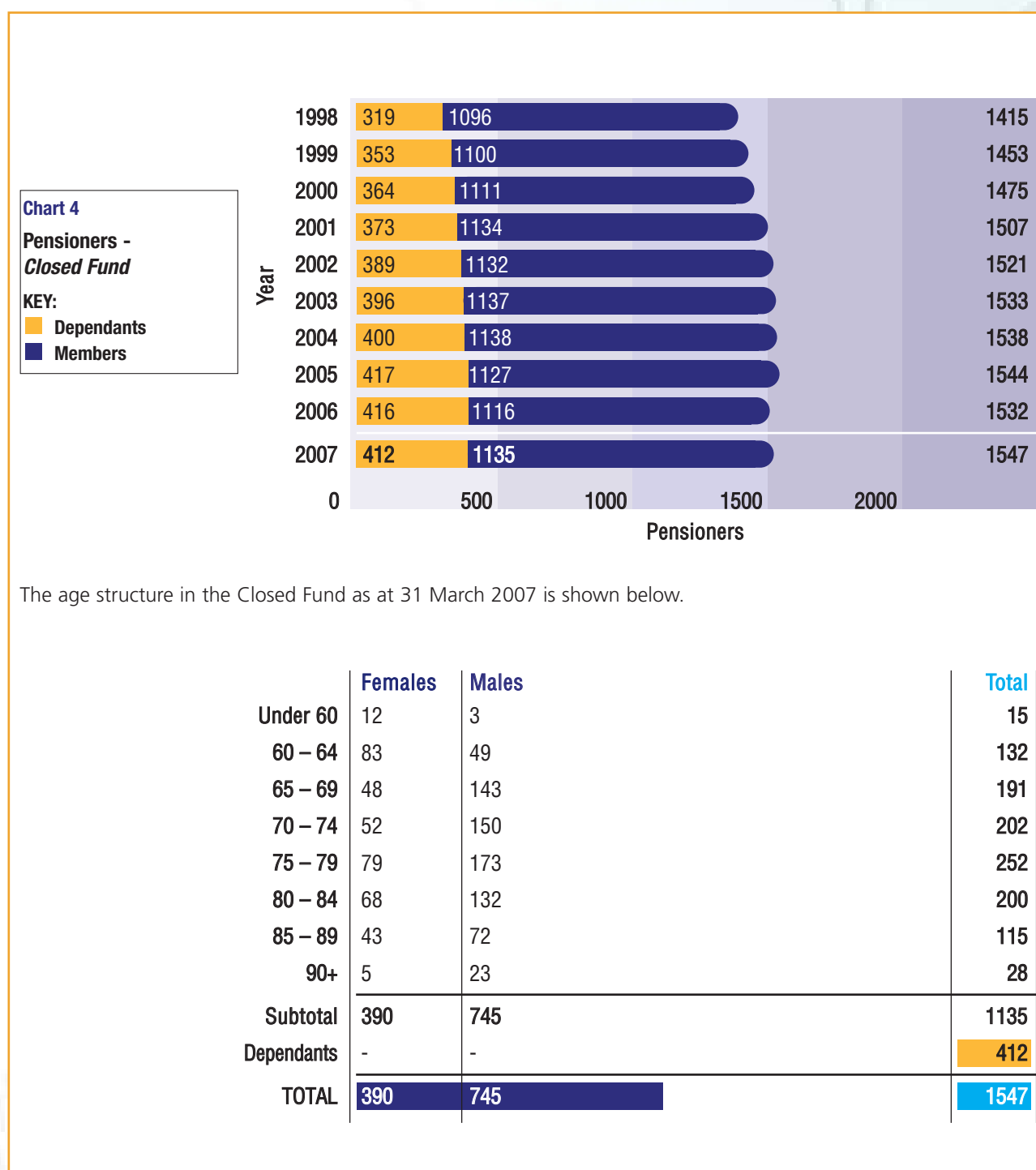
	Females	Males	Total
Under 40	281	105	386
40 – 44	216	138	354
45 – 49	219	212	431
50 – 54	168	224	392
55 – 59	145	214	359
60 – 64	39	97	136
65+	1	2	3
<b>TOTAL</b>	<b>1069</b>	<b>992</b>	<b>2061</b>

## Membership

### Pensioners - 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.

There are no active members in the Closed Fund. It consists only of pensioners, dependants and preserved pensions. This year, the number of Closed Fund pension beneficiaries increased slightly, after a small reduction last year. This is a result of a significant number of preserved pensions coming into payment and pensioners being replaced by their dependants.



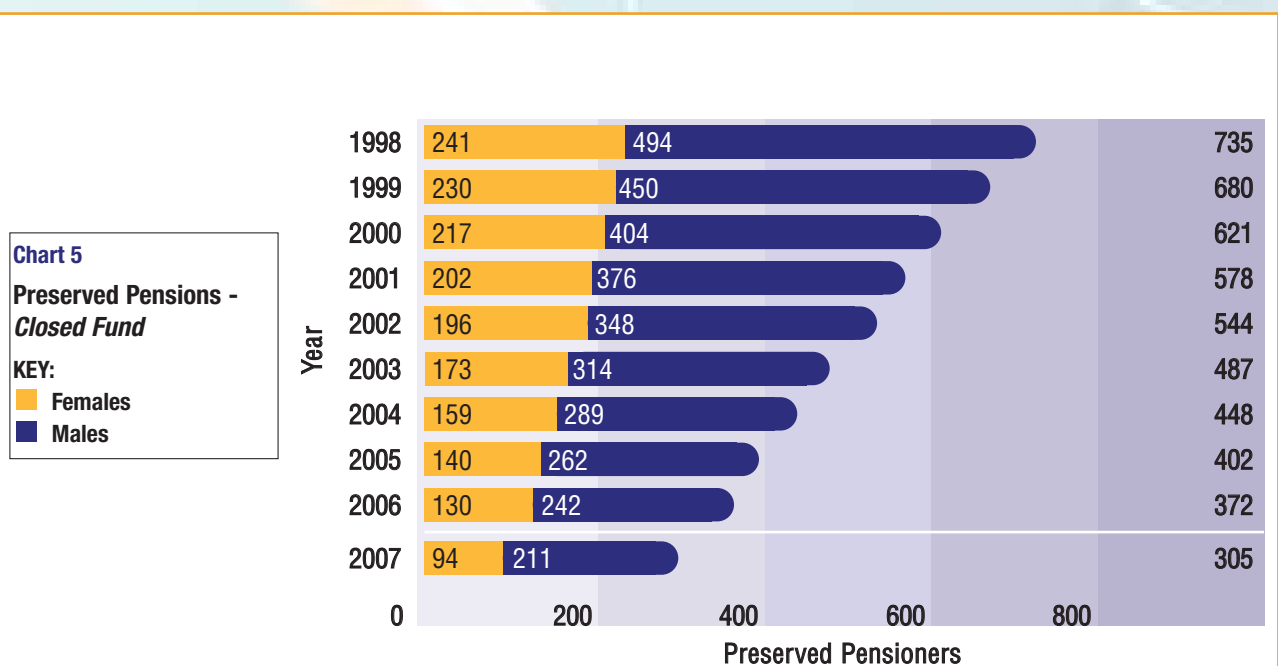
The age structure in the Closed Fund as at 31 March 2007 is shown below.

	Females	Males	Total
Under 60	12	3	15
60 – 64	83	49	132
65 – 69	48	143	191
70 – 74	52	150	202
75 – 79	79	173	252
80 – 84	68	132	200
85 – 89	43	72	115
90+	5	23	28
<b>Subtotal</b>	<b>390</b>	<b>745</b>	<b>1135</b>
<b>Dependants</b>	-	-	<b>412</b>
<b>TOTAL</b>	<b>390</b>	<b>745</b>	<b>1547</b>

## Membership

### Preserved Pensions – Closed Fund

The number of preserved pensioners in the Closed Fund as at 31 March 2007 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.



The age structure of preserved pensioners in the Closed Fund as at 31 March 2007 is as follows:

	Females	Males	Total
Under 50	3	3	6
50 – 54	30	14	44
55 – 59	59	89	148
60 – 64	2	101	103
65+	0	4	4
<b>TOTAL</b>	<b>94</b>	<b>211</b>	<b>305</b>

## Transfer of Benefits

The policy of the Trustees in relation to transfer payments 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.

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.

All transfer values paid during the year were calculated and verified in the manner prescribed under the Regulations and made no allowance for discretionary benefits.

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. However, there is an exception to this where a Pension Sharing Order is implemented following divorce proceedings where a transfer amount may be paid to a divorcing spouse with the member's pension being reduced accordingly.

In common with many other pension schemes the Trustees no longer accept transfers-in to the Funds because of concerns about the exposure to additional liabilities.

Legislation introduced by the Pensions Act 2004, which took effect in December 2005, removed the requirement for cash equivalent transfer values to be above a minimum level but legislation continues to require cash equivalent transfer values to be at least equivalent to the value of the benefits given up while funding levels allow this. The Trustees, along with the Funds' Actuary, have reviewed the way cash equivalents are calculated for transfers out of the Open and Closed Funds, to ensure that they remain consistent with legislative requirements and broadly reflect the expected cost to the scheme of providing the benefits being valued.



## 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 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 Closed Fund and the Open Fund (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 %
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
10 April 2006	2.70
9 April 2007	3.60

Pensions in payment under the New Section and 2007 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 and 2007 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 S2P 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) & Open Fund (2007 Section)	The State
Before State Pension Age the Scheme increases <b>total</b> pension by:	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.	<b>Nil</b>
After State Pension Age the Scheme increases:			
Excess over GMP by:	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.	<b>Nil</b>
For GMP accrued between: 6 April 1978 to 5 April 1988 by:	Nil	Nil	<b>RPI</b>
6 April 1988 to 5 April 1997 by:	Lesser of 3% and RPI	Lesser of 3% and RPI	<b>Excess of RPI over 3%</b>

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 spouse's or children's pension.

## Actuarial Valuation

### Open Fund

The ITB Pension Funds (Open Fund) is a defined benefit scheme. This means that the pension paid to a Member is based on their service at, and salary near to, retirement. 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 Scheme's funding position and 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.

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 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 was 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). As from April 2006, all the Employers have voluntarily chosen to stop using the contribution abatement pots to reduce their contributions until the results of the next valuation are obtained.

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

The next actuarial valuation of the Open Fund, as at 31 March 2007, is now underway, with the results due out by 30 June 2008.

## Actuarial Valuation

### Closed Fund

The most recent valuation of the Closed Fund was completed by the Actuary as at 31 March 2006 which revealed a surplus of £20.8 million. For the purpose of the valuation the Actuary valued the assets of the Fund at £223.1 million and all liabilities, including future administration expenses, were valued at £202.3 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 a further flat rate increase of 3.6% to Closed Fund benefits, effective 1 January 2007.

Based on the specified assumptions, the value of the assets of the Fund at 31 March 2007 was 110% of the liabilities, before allowing for the flat rate increase effective from January 2007. Some Closed Fund members were not able to receive all the increases from the distribution of the surplus available from the 2003 valuation because their benefits were limited by HMRC rules. The Trustees resolved the award of the remaining increases in May 2006 once the 'simplification' of the tax regime had been implemented on 6 April 2006.

### Actuarial Statements

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 28.

### Scheme Funding Requirements

New statutory Scheme Funding requirements have been introduced by the Government, replacing the previous Minimum Funding Requirement standard. These new requirements set out principles which Trustees must follow when determining the methods and assumptions to be used for actuarial valuations, and require the Trustees to agree these matters with the employer. The actuarial valuation of the Closed Fund as at 31 March 2006 was the first to be carried out under the new regime. The valuation of the Open Fund as at 31 March 2007 will also be carried out in accordance with the new requirements.



## Actuarial Statements – Open Fund

### 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:**

**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" Old Section 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 of 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 contribution 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.

<b>Employer</b>	<b>Expected Abatement Term (Years)</b>
Automotive Skills Ltd	2.5
CAPITB plc	12.5
Cogent SSC	1.25
Construction ITB	4.5
Engineering Construction ITB	5
Hospitality Training Foundation	6.25
ITB Pension Funds Office	6.25
JTL	0
Lantra	4.75
Polymer National Training Organisation Ltd	19.5
Road Haulage & Distribution Training Council	9.25
Scottish Electrical Charitable Training Trust	5.5
SEMTA	6.25
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.

An Employer's contributions, after allowing for that part which has been offset by the use of the Employer's Contribution Abatement Pot, 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.

## Actuarial Statements – Open Fund

### 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

#### Notes

1. This Statement is that included in the 2004 valuation report. These notes, which do not form part of the Statement, provide relevant information on changes since 2004.
2. As from April 2006, all Employers have voluntarily chosen to stop using the Contribution Abatement Pots to reduce their contributions until the results of the 2007 valuation are obtained. However, where sufficient funds remain in an individual Employer's Contribution Abatement Pot, it continues to be used to pay for the 1% abatement of member contributions. Where there are not sufficient funds in the Contribution Abatement Pots, Employers pay for the abatement of members' contribution either by cash or from their Surplus Pots or a combination of both.
3. Skillfast-UK Ltd (formerly a subsidiary of CAPITB) has been accepted as a Principal Employer in the Scheme. The Fund receives member contributions at the full rate of 6% in respect of Skillfast-UK Ltd employees (as Skillfast-UK Ltd pay cash for the 1% abatement of member contributions).
4. Road Haulage & Distribution Training Council have withdrawn from the ITB Pension Funds. The date of termination was 31 May 2006.
5. The following changes to Participating Employer names should be noted:
  - a. Construction ITB use the trading name of *ConstructionSkills*.
  - b. Hospitality Training Foundation have changed their name to *People 1st*.
  - c. Polymer National Training Organisation Ltd have changed their name to *Polymer Industry Education and Training Trust*.

## Actuarial Statements – Open Fund

### Actuarial Certificate given for the purposes of Section 58 of the Pensions Act 1995 (Certification of Schedules of Contributions)

**Name of scheme:**

**THE ITB PENSION FUNDS - THE OPEN FUND**

**Adequacy of rates of contributions**

1. I hereby certify that, in my opinion, the rates of contributions payable in accordance with this schedule of contributions\* are adequate for the purpose of securing that by the end of the period it covers the scheme will meet the minimum funding requirement imposed by section 56(1) of the Pensions Act 1995, and are such that they meet the uniform funding requirement specified in regulation 17 of the Occupational Pension Schemes (Minimum Funding Requirement and Actuarial Valuations) Regulations 1996.
2. In forming this opinion, I have complied with the requirements imposed by sections 56(3) and 58 of the Pensions Act 1995, the Occupational Pension Schemes (Minimum Funding Requirement and Actuarial Valuations) Regulations 1996 and the mandatory guidelines on minimum funding requirement (GN 27), prepared and published by the Institute of Actuaries and the Faculty of Actuaries, and have made the assumptions prescribed by them.

C D Daykin FIA  
Government Actuary's Department  
Finlaison House  
15-17 Furnival Street  
London EC4A 1AB  
17 December 2004

**Note:**

The certification of the adequacy of rates of contributions for the purpose of securing the meeting of the MFR is not a certification of their adequacy for the purpose of securing the scheme's liabilities by the purchase of annuities, if the scheme were wound up.

*\*The schedule of contributions referred to in this certificate is available on request.*

## Actuarial Statements – Closed Fund

### Schedule of Contributions

This schedule of contributions has been prepared by the Trustees, after obtaining the advice of Chris Daykin, the actuary to the scheme.

#### **CONTRIBUTIONS TO BE PAID TOWARDS THE SCHEME FROM 1 APRIL 2006 TO 31 MARCH 2011**

##### **Name of Scheme: THE ITB PENSION FUNDS – THE CLOSED FUND**

For each month after 1 April 2006, the Scheme Actuary certifies that no contributions are required for retirement benefits and administration expenses.

This schedule may be revised from time to time where the revisions are agreed between the Trustees and the Employers for example after the signing of a subsequent valuation report.

### Actuary's Certification of Schedule of Contributions

##### **Name of scheme: THE ITB PENSION FUNDS- THE CLOSED FUND**

##### **Adequacy of rates of contributions**

I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the Statutory Funding Objective can be expected to be met for the period for which the schedule is to be in force.

I also certify that the rates of contributions shown in this schedule are not lower than I would have provided for had I had responsibility for preparing or revising the schedule, the statement of funding principles and any recovery plan

##### **Adherence to statement of funding principles**

I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 6 October 2006.

The certification of the adequacy of the rates of contributions for the purpose of securing that the Statutory Funding Objective can be expected to be met is not a certification of their adequacy for the purpose of securing the scheme's liabilities by the purchase of annuities, if the scheme were to be wound up.

C D Daykin FIA  
Government Actuary's Department  
Finlaison House  
15-17 Furnival Street  
London EC4A 1AB  
16 March 2007

## Fund Accounts

### Source of Income 2006/2007

Chart 6  
Open Fund

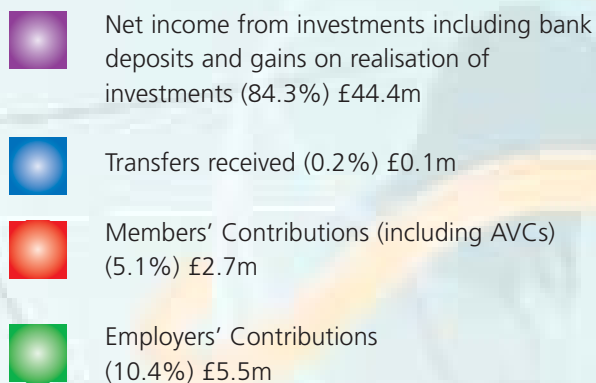
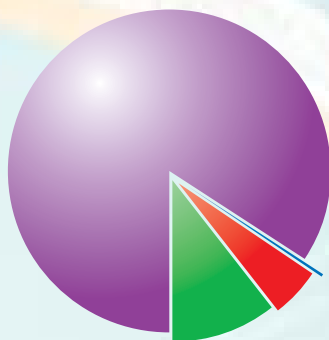
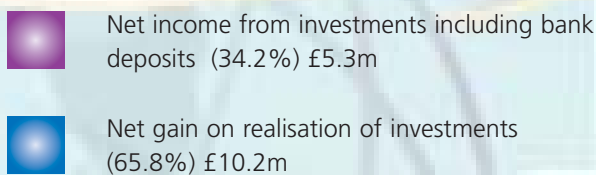
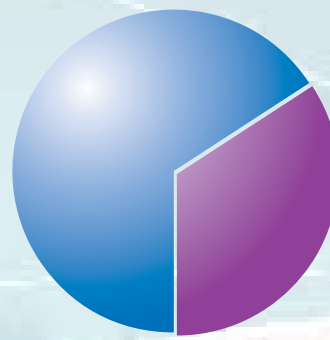


Chart 7  
Closed Fund



The way in which the income of the Open Fund of £52.7m was made up is shown in Chart 6. The total net investment income consists mainly of income from dividends and bank interest after deducting the loss on foreign exchange and Investment Managers' fees. However, also included in the income shown above is an amount of £33.6m which represents realised profit on the sale of investments. Unrealised gains are excluded.

*During the year contributions of £2.8m 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.*

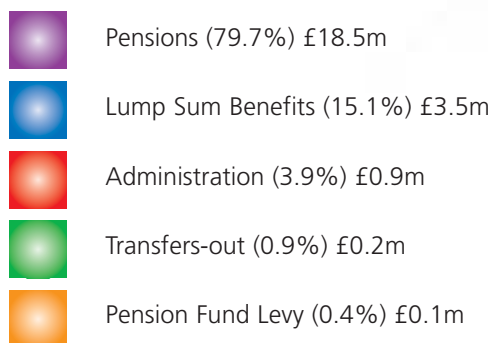
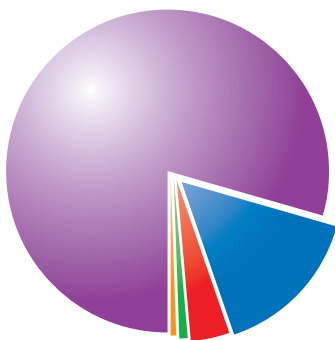
The way in which the income of the Closed Fund, of £15.5m was made up is shown in Chart 7. The total net investment income consists of income from dividends and bank interest. The net investment income of the Closed Fund is made up in the same way as that for the Open Fund, excluding realised gains, but with taxation also being deducted. Unrealised gains are excluded.



## Fund Accounts

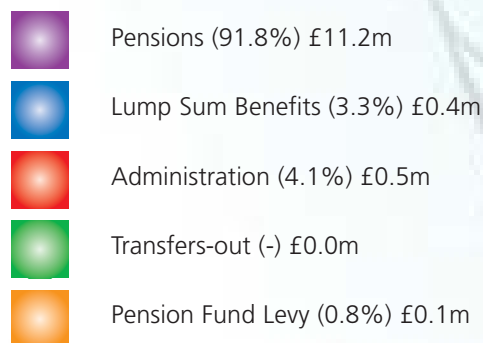
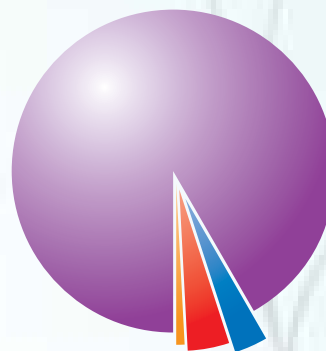
### Allocation of Expenditure 2006/2007

Chart 8  
Open Fund



The way in which the total Open Fund expenditure of £23.2m was made up is shown in chart 8.

Chart 9  
Closed Fund



The way in which the total Closed Fund expenditure of £12.2m was made up is shown in 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](http://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 pages 38 to 39.

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 segregated 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

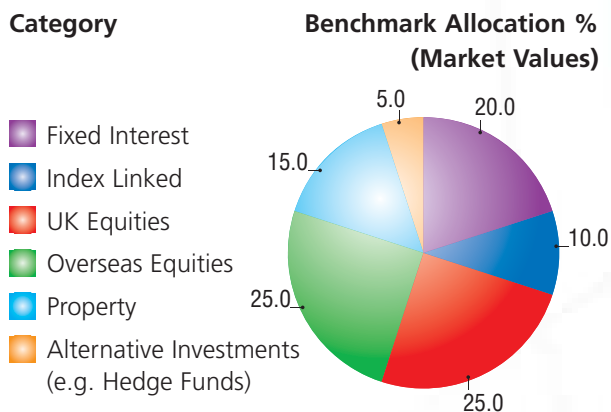
Following the actuarial valuation of the Open Fund as at 31 March 2004, the Trustees along with their investment advisers gave detailed consideration to a report on the asset liability study carried out by the Actuary. With the benefit of this report they concluded that the present investment strategy,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

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 35 to 37. The pace at which the Scheme's asset allocation will move towards the new allocation - shown below - will be regularly

## Investment Report

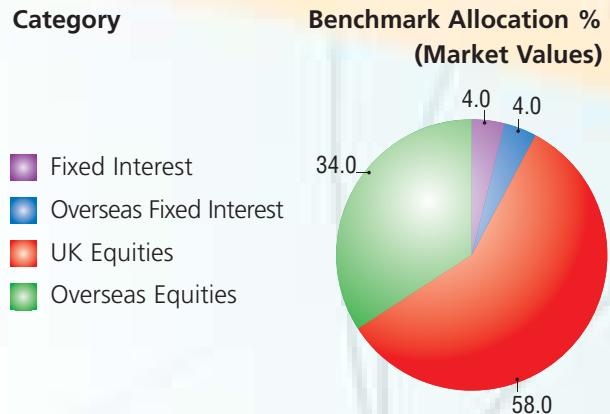
reviewed by the Trustees and their advisors. This strategy will be subject to further review following the Actuarial Valuation as at 31 March 2007.

The benchmark existing at 31 March 2007 for the **Open Fund** is as follows:



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 2007 for the portion (30%) of the **Closed Fund** not invested in Index-Linked Gilts, was as follows:



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 and Closed Funds' total asset allocation, individual manager's allocation, mandates and investment performance at the Fund's year end are shown on pages 35 to 39.

### 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 raced ahead in the year to March as the steady recovery in corporate earnings showed few signs of abating amid healthy global economic growth. Prices were further bolstered by a wave of mergers and acquisitions as both trade and financial buyers snapped up targets across an array of industries as they looked to take advantage of cheap long-term financing.

The FTSE All-Share index produced a total return of 11.1% over the year. But that disguised widely divergent performances from the large- and mid-cap segments of the market. With mid-cap stocks generally tending to more closely follow the economic cycle, and on the receiving end of an undue proportion of bid approaches, the FTSE 250 produced a stunning return of 21.6%. By contrast the FTSE 100 index of leading shares generated a somewhat more lacklustre gain of 9.3%, partly owing to the ongoing underperformance of the mega-cap-dominated oil & gas and banking sectors.

Having marched steadily higher in the latter half of 2006, stocks subsequently tumbled sharply towards the end of February as a number of factors, including concerns over the US housing market and a steep decline in Chinese stock prices, soured sentiment. But, with no end in sight to the boom in takeover activity, the sell-off proved short lived. Utilities was the best performing sector as trade and financial buyers rushed to snap up an array of companies, attracted by secure and reliable income streams. Cyclical industrial sectors such as chemicals, and construction materials, were in demand amid optimism over the economic outlook. Meanwhile widespread bid activity helped lift demand for stocks in the personal & household goods, retail and travel & leisure sectors too.

On the downside, oil & gas exploration shares were weak, undermined by poor price performance by the shares of sector heavyweights BP and Shell. IT hardware shares also declined on worries over a downturn in US capital spending, while pharmaceutical stocks were also under pressure following disappointing drug development news from sector behemoths GlaxoSmithKline and AstraZeneca and on fears a Democrat-controlled Congress will look to curb healthcare spending.

#### Europe ex UK Equities

European equity markets were in rude health over the past year, the FTSE Europe ex-UK index posting a 12.4% return in sterling terms. Shares reacted to growing evidence that the pace of domestic economic expansion within the Eurozone was quickening, with the European Central Bank's decision to hike its benchmark interest rate by 0.25 points on six occasions over the past year failing to sap demand for stocks. Auto shares fared strongly, helped by widespread corporate activity. Volkswagen was on the receiving end of a bid from rival German car maker Porsche while French parts maker Valeo said it had received a takeover approach. Meanwhile a queue of potential suitors expressed an interest in buying Chrysler after German parent DaimlerChrysler announced in February it was reviewing its options for its loss-making US unit. They include an oft-mooted sale. Retailing stocks surged as several companies featured on private equity groups' radar screens. Prominent among them was Carrefour following news that private equity group Colony Capital had teamed up with French billionaire Bernard Arnault to take a 9.8% stake in the French supermarket giant. Utilities and chemicals shares were also in demand. As in the UK, takeover activity was a key driver of these sectors' performance, while a number of companies' efforts to restructure their businesses also helped propel share prices higher.

#### Global Equities

Global equity markets made more laboured progress, the FTSE All World index posting a modest 2.9% gain in sterling terms. Strong returns from the bulk of Asian and other emerging markets were countered by weak performances by Japanese and US shares in sterling terms. While the FTSE US index yielded a total return of 12% in local currencies, that equated to a 1.0% decline in sterling following continued depreciation of the US dollar. US stocks were held back by fears that steadily rising interest rates could tip the economy into recession. Steel and mining were among the best performing sectors, while laggards included homebuilding and internet retailing. The FTSE Japan index produced a 1.9% gain in local currencies, equivalent to a 9.9% decline in sterling terms. Other Asian markets fared better, with Singapore the star performer, delivering 29.2% on a sterling basis.

## Investment Report

### Bonds

Bond yields rose over the period. Illustrating this, the 10-year gilt rose from 4.4% to 5.0%. Monetary tightening in the US, UK and Europe aimed at combating inflation has been the driving force behind rises in yields over the last 12 months coupled with a benign economic picture. The last year has, however, been marked by some volatility as for example in July 2006 the ascent in global bond yields came to a halt as the US Federal Reserve gave clarification, lacking up to then, on its attitude to inflation and growth. In the first quarter 2007 yields fell as result of the sell-off in China that temporarily affected world equity markets and also in light of fears of an end to the yen carry trade where investors had borrowed cheaply in Japan and lent in other markets where interest rates were higher. Government bond yield curves remain inverted with yields lower at the long end of the yield curve than at the short end, partly as a result of interest rate rises and pressure from liability matching trades by pension funds switching out of equities into long-dated bonds.

### Property

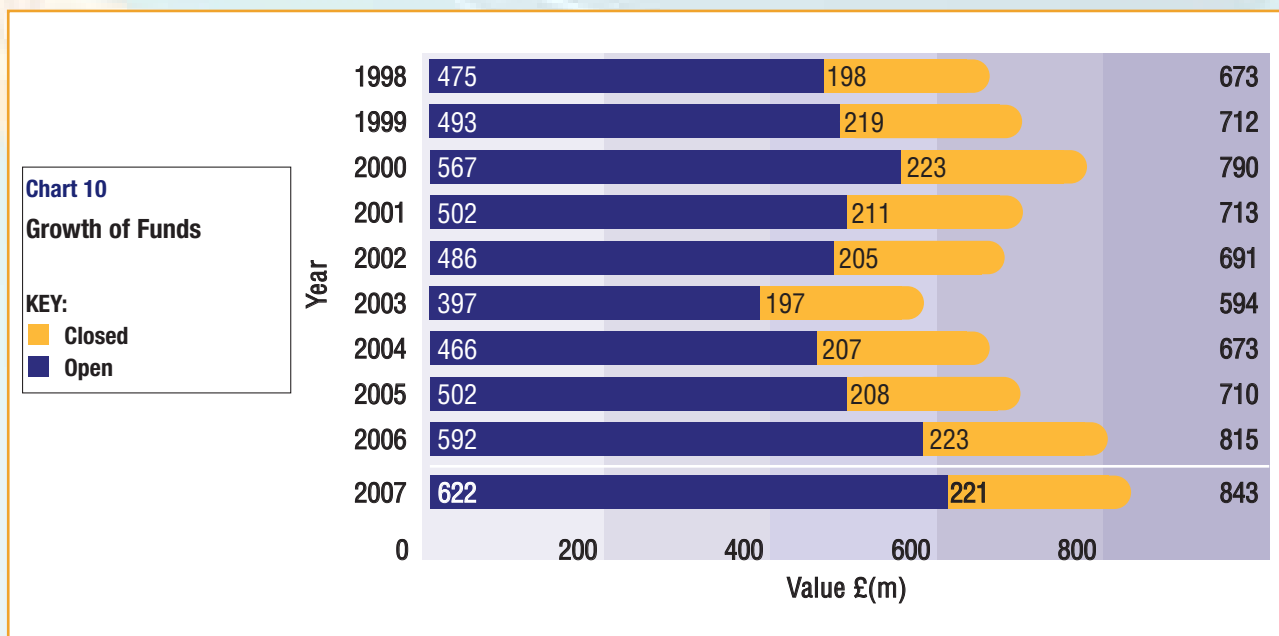
Commercial property has continued to give attractive returns to investors over the rolling 12-month period, though returns have shown distinct signs of moderating in recent months. With a total return of 16.9%, compared to 11.1% for UK equities and 0.2% for gilts, property was the best-performing asset class over the 12-month period. Furthermore, it remains the best-performing asset class over one, three, five and ten years. Due to strengthening income growth and ongoing yield compression, offices were the strongest-performing sector over the period with a total return of 22.8%. This compares to 16.5% for the industrial sector and 14.3% for retail.

(source Investment Property Databank February 2007; latest available figures).



## Investment Report

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



### Asset Allocation

At the end of March 2007, the Funds' investments were allocated between the following categories.

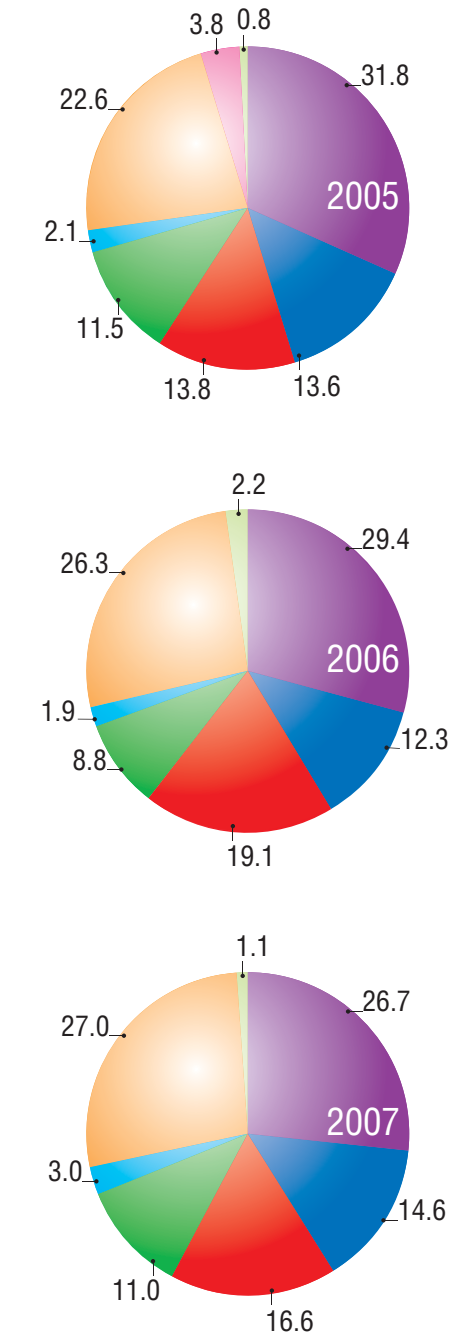
Open Fund	Market Value £000's	Proportion of Market Value %
UK Equities	165,742	26.7
Overseas Equities	167,127	27.0
Fixed Interest:		
UK	103,115	16.6
Index Linked	68,400	11.0
Property	90,763	14.6
Alternatives (e.g. Hedge Funds)	18,643	3.0
Cash	6,476	1.1
<b>TOTAL</b>	<b>620,266</b>	<b>100.0</b>

Closed Fund	Market Value £000's	Proportion of Market Value %
UK Equities	40,677	18.5
Overseas Equities	24,317	11.1
Fixed Interest:		
UK	2,717	1.2
Overseas	2,755	1.2
Index Linked	130,444	59.4
Cash	18,842	8.6
<b>TOTAL</b>	<b>219,752</b>	<b>100.0</b>

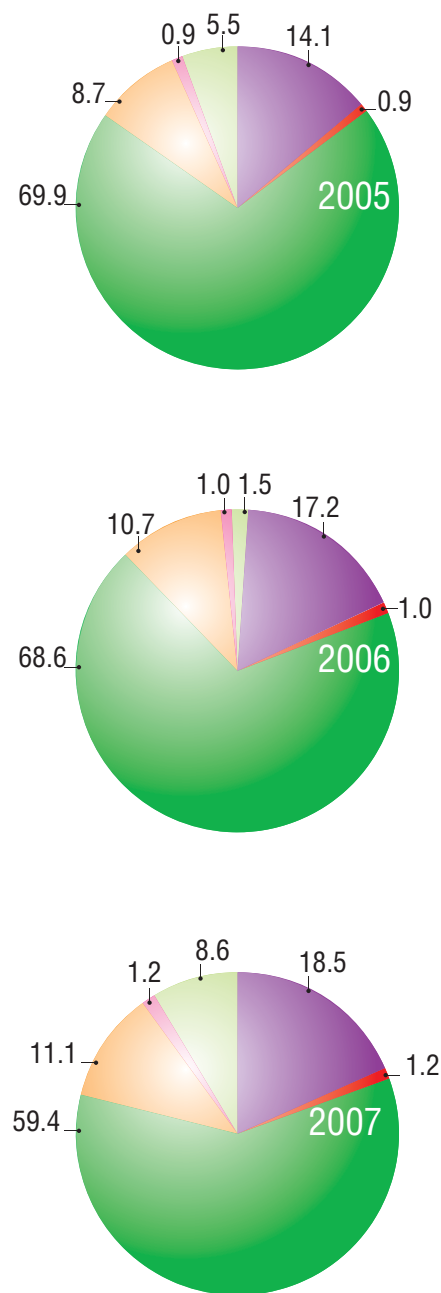
# Investment Report

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 2005 are shown in Charts 11 and 12.

**Chart 11**  
Asset Allocation -  
Open Fund (%)



**Chart 12**  
Asset Allocation -  
Closed Fund (%)



## Investment Report

The ten holdings in equities and unit trusts which had the highest value at 31 March 2007 for each Fund, were as follows:

### Open Fund

Holding	Description	Book Cost (£)	Market Value
23,592,021	BGI Aquila Life UK Equity Index Fund	125,334,867	135,512,569
24,315,936	Henderson Global Enhanced Equity	30,252,437	30,229,572
9,528,106	Fidelity Institutional Europe Fund	15,253,704	27,612,452
25,605,730	Fidelity Institutional Exempt America Fund	25,664,737	26,578,748
4,077,383	Aquila Life European Equity	15,249,409	23,393,988
10,836,644	Fidelity Institutional South East Asia Fund	8,830,294	17,522,854
11,444,223	Fidelity Institutional Japan Fund	11,939,369	17,109,113
4,453,538	Aquila Life Pacific Rim Equity	8,105,599	16,729,717
7,802,002	Aquila Life Japanese Equity	12,284,839	14,933,033
277,915	BGI Sterling Currency Hedging	5,724,227	12,411,564

### Closed Fund

Holding	Description	Book Cost (£)	Market Value
3,477,763	Fidelity Institutional Europe Fund	4,638,087	10,078,558
3,956,139	Fidelity Institutional America Fund	5,549,501	7,053,796
2,470,107	Fidelity Institutional South East Asia Fund	1,095,253	3,994,162
2,134,331	Fidelity Institutional Japan Fund	2,193,726	3,190,825
329,650	HSBC Holdings UK Plc	2,646,599	2,932,237
500,700	BP Plc	2,222,931	2,763,864
9,654,846	Fidelity Institutional International Bond GROSS	2,640,661	2,755,493
6,701,399	Fidelity Institutional Long Bond GROSS	2,253,475	2,716,747
122,021	Royal Bank of Scotland Plc	1,721,748	2,420,897
1,743,025	Vodafone Group Plc	2,883,638	2,361,799

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 35 that no individual shareholding forms more than 5% of the total value of each Fund's investments with the exception of the BGI Aquila Life UK Equity Index Fund which represents 21.8% of the Open Fund's investments. The ITB Pension Funds' assets are invested in accordance with the Occupational Pension Schemes (Investment) Regulation 1996. The Funds do not invest in any of the Participating Employers' businesses.

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

## Investment Performance Review

### Total Fund

The investment performance of both the Closed and Open Funds continues to be monitored by Mellon Analytical Solutions Europe Limited, an independent investment performance monitoring service which monitors the performance of over 3,800 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 2007. In addition, Mellon Analytical Solutions 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 7.1%, whereas the Fund achieved a return higher than this of 8.3%.

However, this divergence was not entirely unexpected as it was agreed during the year not to immediately

rebalance the portfolio to the strategic benchmark asset allocation but to allow it to drift towards this target by taking cash requirements from the UK equity part of the portfolio.

The Closed Fund achieved a return of 4.7% against the relevant benchmark of 4.6%. 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

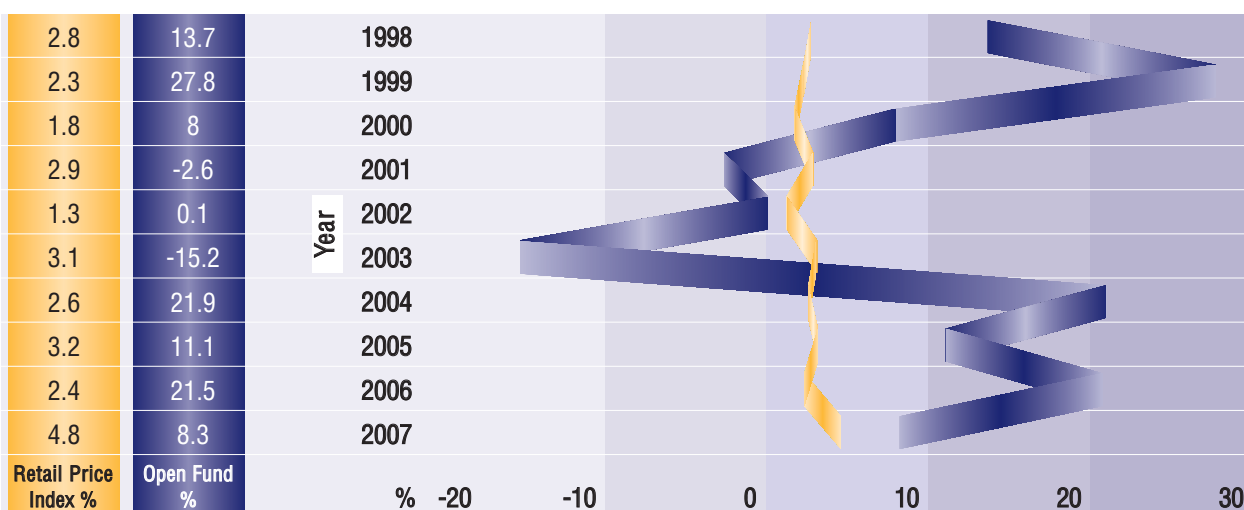
(Note: all figures include cash held with the investment manager)

#### UK Equities (27% of total fund) Barclays Global Investors (BGI) (22% of total fund)

This part of the UK equity portfolio has the objective to match the UK FTSE All Share Index. Barclays Global Investors' fees are market value based. Over the year BGI achieved their benchmark.

**Chart 13**

Rates of Return



## Investment Performance Review

### **Fidelity Pensions Management Ltd**

The UK equity mandate with Fidelity was cancelled on 7 November 2006 due to performance issues.

### **Henderson Global Investors Ltd (5% of total fund)**

Henderson were appointed as additional UK equity managers on 2 February 2007.

This part of the UK equity portfolio has the objective to outperform the UK FTSE All Share Index by 0.75% pa gross of base fees. Henderson's fees are market value based with a performance related element. As Henderson were only appointed during February 2007, no performance figures are yet available.

### **Fixed Interest (28% of total fund)**

#### **Morley Fund Management Ltd (28% 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 but underperformed their objective.

### **Overseas Equities (27% of total fund)**

#### **Fidelity Pensions Management Ltd**

#### **(14% 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 underperformed their benchmark.

#### **Barclays Global Investors (BGI) (13% of total fund)**

Part of this overseas equity portfolio is managed to track a composite benchmark within permitted deviations. 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. Over the year the active currency fund outperformed its benchmark but underperformed its objective while the passive currency fund marginally underperformed both its benchmark and objective. Fees for both of the currency funds are market value based with the active currency fund having a performance related element.

### **Property (15% of total fund)**

#### **Fletcher King (15% of total fund)**

The objective of this portfolio is to match the Investment Property Database (IPD) Year End Annual 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.

### **Alternatives (3% of total fund)**

#### **Schroder Investment Management (UK) Ltd**

#### **(3% of total fund)**

#### **Diversified Fund of Hedge Funds**

The objective of this portfolio is to outperform returns on cash by 6% to 9% over the interest rate cycle. Over the year Schroders outperformed their benchmark but underperformed their objective. Fees are market value based with a performance related element.

### **Manager Mandates and**

### **Performance – Closed Fund**

#### **Global Equities (32% of total fund)**

#### **Fidelity Pensions Management Ltd**

#### **(32% 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 outperformed their benchmark but underperformed their objective.

The remaining 68% 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, in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), 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, including a statement whether the financial statements have been prepared in accordance with the Statement of Recommended Practice 'Financial Reports of Pension Schemes' (Revised November 2002).

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

The Trustees are also responsible for making available certain other information about the Scheme in the form of an Annual Report.

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 any active Member of the Scheme and for monitoring whether contributions are made to the Scheme by the Employers in accordance with the schedule of contributions. Where breaches of the schedule occur, the Trustees are required by the Pensions Acts 1995 and 2004 to consider making reports to the Pensions Regulator and the Members.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the funds' website.

## Summary Funding Statement

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

The ITB Pension Funds' Trustees who look after the Scheme will provide an update of the Scheme's funding position each year in a statement similar to that shown below. The valuation of the Open Fund as at 31 March 2007 will be the first to be carried out under the new Scheme Funding requirements.

#### The last ongoing funding valuation

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

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

The Scheme was also valued on an ongoing basis, with the results allowing a reduction in contributions for members and most employers.

The estimated amount as at 31 March 2004 needed to ensure that all members' benefits could have been paid in full if the Scheme had started winding up (full solvency) was £529.7 million. Therefore, the Scheme was 88% funded on a full solvency basis as at 31 March 2004. Inclusion of this information does not imply that the Participating Employers are thinking of winding-up the scheme.

#### Change in funding position

The position will have changed since the previous summary funding statement was issued. The Scheme valuation as at 31 March 2007 is currently being carried out and the funding position will be considered in detail when the valuation results are available.

#### Payment to the participating employers

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

### How the Scheme operates

#### How is my pension paid for?

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

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

#### How is the amount the Scheme needs worked out?

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

#### The importance of the Participating Employers' support

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

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

#### What is the Scheme invested in?

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

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

## Summary Funding Statement

### Where can I get more information?

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

Members of the Scheme can also use the Funds' secure, modelling website 'MyITB' ([www.myitb.com](http://www.myitb.com)) to estimate their own benefits.

### Additional documents available on request or in some cases on the Funds' website [www.itb-online.co.uk](http://www.itb-online.co.uk)

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

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

*The Annual Report and Accounts* of the ITB Pension Fund, which shows the Scheme's income and expenditure in the year up to 31 March 2007.

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

*The ITB Open Fund '2007 Section', 'New Section' and 'Old Section' Member Booklets* (you should have been given a copy of the booklet relevant to the Section you are in when you joined the Scheme, but a further copy can be requested).

*An Annual Benefit Statement* – If you are not getting a pension from the Scheme (and have not received a benefit statement in the previous 12 months) you can ask for a statement that provides an illustration of your likely pension, or visit [www.myitb.com](http://www.myitb.com) to view online benefits statements and model your pension.

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

### The ITB Pensions Fund (Closed Fund): Summary Funding Statement for Period ending 31 March 2006

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

#### The last ongoing funding valuation

The most recent funding valuation of the Closed Fund showed that on 31 March 2006 the funding position was as follows:

Assets	£223.1 million
Liabilities	£202.3 million
Funding level	110%

As a result, no further contributions were required.

The results of the valuation enabled the Trustees to make a flat rate discretionary increase of 3.6% to Closed Fund benefits with effect from January 2007.

The Scheme Actuary assessed that as at 31 March 2006 the assets of the Scheme were very likely to be sufficient to pay for the liabilities in full if the Scheme had started to wind up at that date. Inclusion of this information does not imply that the Participating Employers are thinking of winding up the Scheme.

#### Change in funding position

The actuarial valuation of the Closed Fund as at 31 March 2006 was the first to be carried out under the new Scheme Funding requirements, which replaced the Minimum Funding Requirement. There are a number of differences between the Scheme Funding and MFR valuations, for example the Scheme Funding valuation includes a 10% additional margin for risk in the liabilities to increase the security of benefits. Therefore, the surplus disclosed as at 31 March 2006 is not directly comparable with the previous MFR funding level in excess of 120% which was quoted in last year's statement.

## Summary Funding Statement

The flat rate discretionary increase of 3.6% to Closed Fund benefits with effect from January 2007 will reduce the funding level, but the funding level is expected to remain comfortably in excess of 100% following this increase.

### Payment to the employers

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

### How the Scheme operates

#### How is my pension paid for?

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

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

#### How is the amount the Scheme needs worked out?

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

#### What is the Scheme invested in?

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

### Where can I get more information?

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

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The full report on the *Actuarial Valuation* following the actuary's check of the Scheme's situation as at 31 March 2006.

*An Annual Benefit Statement* – If you are not getting a pension from the Scheme you can ask for a statement that provides an illustration of your likely pension, or visit [www.myitb.com](http://www.myitb.com) to view online benefit statements and model your pension.


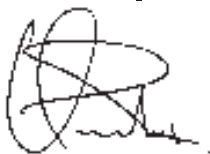
*Important: If you are thinking of leaving the ITB Pension Funds for any reason, you should consult a professional advisor, such as an independent financial advisor, before taking any action.*

## Table of Contributions

During the year, the contributions payable to the Open Fund by the Employers under the Schedule of Contributions were as follows:

	2007	2006
	£'000	£'000
Employer normal contributions	5,258	3,616
Employee normal contributions	2,611	2,443
<b>Total contributions payable under the Schedule of Contributions</b>	<b>7,869</b>	<b>6,059</b>
Employees additional voluntary contributions payable to main fund	109	113
<b>Total Contributions</b>	<b>7,978</b>	<b>6,172</b>

The Trustees' Report was approved by the Trustees on 6 July 2007.

P ROGERSON }  
K POTTER } Trustees



Financial Statements for the year ended 31 March 2007



## Independent auditors' report to the Trustees of the ITB Pension Funds

We have audited the financial statements for the year ended 31 March 2007 which comprise the fund accounts, the net assets statements and the related notes. 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 40, the scheme's Trustees are responsible for obtaining an annual report, including audited financial statements prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

We report to you 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, in our opinion, we have not received all the information and explanations we require for our audit, or if the information specified by law is not disclosed.

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 Supplementary Information.

### Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes 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 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the financial transactions of the Scheme during the year ended 31 March 2007, and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year, and
- the financial statements 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.

CHANTREY VELLACOTT DFK LLP  
Chartered Accountants and Registered Auditors  
WATFORD

18 July 2007

## Independent auditors' statement to the Trustees of the ITB Pension Funds

### Independent Auditors' 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 table of contributions to the ITB Pension Funds in respect of the scheme year ended 31 March 2007 which is set out in the Trustees' Report on page 44.

This statement 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 statement 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 statement, or for the opinions we have formed.

#### Respective responsibilities of the Trustees and the Auditors

As described on page 40 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 are also responsible for keeping records in respect of contributions received in respect of any active member of the scheme and for monitoring whether contributions are made to the Scheme by the employer 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 summary of contributions have in all material respects been paid at least 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 payable to the scheme and the timing of those payments under the schedule of contributions. Our Statement about contributions is required to refer to those 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 31 March 2007 as reported in the table of contributions set out in the Trustees' Report on page 44 have in all material respects been paid at least in accordance with the schedules of contributions certified by the actuary on 17 December 2004.

CHANTREY VELLACOTT DFK LLP  
Chartered Accountants and Registered Auditors  
WATFORD

18 July 2007

## Fund Accounts for the year ended 31 March 2007

	Notes	Closed fund 2007 £'000	Open fund 2007 £'000	Combined fund 2007 £'000	Combined fund 2006 £'000
<b>Income</b>					
Members' contributions	3c, 17, 19	-	2,720	2,720	2,556
Employers' contributions	3c, 19	-	5,258	5,258	3,616
Total contributions		-	7,978	7,978	6,172
Employer's buy-out contribution	3c	-	156	156	-
Employers' enhancement costs	3c, 19	-	125	125	247
Transfers from other schemes	3g, 5	-	74	74	252
		-	8,333	8,333	6,671
<b>Expenditure</b>					
Retirement and death benefits	6	11,604	21,900	33,504	30,638
Withdrawals:					
Transfers to other schemes		7	180	187	153
Contribution refunds		-	156	156	130
Administration costs	7	519	863	1,382	1,402
Pension fund levy		24	82	106	113
		12,154	23,181	35,335	32,436
<b>Net withdrawals from dealings with Members</b>		<b>(12,154)</b>	<b>(14,848)</b>	<b>(27,002)</b>	<b>(25,765)</b>
<b>Returns on investments</b>					
Investment revenue	8	5,548	12,291	17,839	19,753
Net profit / (loss) arising on foreign exchange	10	-	6	6	(116)
Taxation	11	14	-	14	(74)
Change in market value of investments	12	4,950	34,327	39,277	113,032
Investment managers' fees	9	(236)	(1,520)	(1,756)	(1,920)
<b>Net returns on investments</b>		<b>10,276</b>	<b>45,104</b>	<b>55,380</b>	<b>130,675</b>
<b>Net increase in the funds during the year</b>		<b>(1,878)</b>	<b>30,256</b>	<b>28,378</b>	<b>104,910</b>
Net assets as at 31 March 2006		223,087	591,682	814,769	709,859
<b>Net assets as at 31 March 2007</b>		<b>£221,209</b>	<b>£621,938</b>	<b>£843,147</b>	<b>£814,769</b>

The notes on pages 51-63 form part of these financial statements.



## Net assets statements 31 March 2007

	Notes	Closed fund 2007 £'000	Open fund 2007 £'000	Combined fund 2007 £'000	Combined fund 2006 £'000
<b>Investments</b>	12	219,752	620,266	840,018	812,818
<b>Fixed assets</b>	13	-	141	141	142
		219,752	620,407	840,159	812,960
<b>Current assets</b>					
External	14	1,724	3,155	4,879	4,597
Inter-fund balance	14	-	51	51	51
		1,724	3,206	4,930	4,648
<b>Current liabilities</b>					
External	15	216	1,675	1,891	2,788
Inter-fund balance	15	51	-	51	51
		267	1,675	1,942	2,839
<b>Net current assets</b>		1,457	1,531	2,988	1,809
<b>Net assets as at 31 March 2007</b>		<b>£221,209</b>	<b>£621,938</b>	<b>£843,147</b>	<b>£814,769</b>

The financial statements were approved by the Managing Trustees on 6 July 2007



P ROGERSON



K POTTER

} Trustees

The notes on pages 51-63 form part of these financial statements.

## Notes to the financial statements for the year ended 31 March 2007

### 1 Organisation of the funds

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

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

### 2 Actuarial valuations

The Trustees have received and adopted the Valuation Report by the Actuary on the Closed Fund as at 31 March 2006 and on the Open Fund as at 31 March 2004.

The Reports on the Closed Fund for 2006 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 31 March 2007 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 31 March 2007.
- iii) Investments held in foreign currencies have been valued on the relevant basis and translated into sterling at the rate ruling at the balance sheet date.
- iv) Properties were valued by Fletcher King, Property Asset Managers, at 31 March 2007, 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.
- v) Forward contracts are valued at amounts that assume settlement at the spot rates ruling on 31 March 2007.

#### c) Contribution income

Contributions relating to wages and salaries earned up to 31 March 2007 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.

The employer's buy-out contribution represents those costs charged by the Funds to the Road Haulage and Distribution Training Council to secure its exit from the scheme without leaving any further liability to the scheme.

#### d) 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.

## Notes to the financial statements for the year ended 31 March 2007

### e) Foreign income

Foreign income has been translated into sterling at the rate ruling at the date of the transactions. Income due at the year end is translated at the rate ruling at 31 March 2007. All differences are taken to income and expenditure account.

### f) Benefits payable

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

### g) Transfers receivable

Transfers receivable represent payments to the Open Fund from the separate money purchase funds (see note 18). Amounts received by the scheme are paid out as part of a member's lump sum retirement benefit. Transfers are only taken into account where benefits are payable before 31 March 2007. Transfers from other pension funds are not currently accepted into the scheme.

### h) 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 31 March 2007 and who were entitled to a refund of these.

### i) 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 receivable by the Scheme during the year ended 31 March 2007, 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 31 March 2007

## 5 Transfers in

	2007 £'000	2006 £'000
Individual transfers from Money Purchase Schemes (see note 18)	£74	£252

## 6 Retirement and death benefits

	Closed fund 2007 £'000	Open fund 2007 £'000	Combined fund 2007 £'000	Combined fund 2006 £'000
<b>Retirement benefits:</b>				
Lump sums	442	3,045	3,487	1,749
Members' pensions	8,302	16,772	25,074	24,077
Total retirement benefits	8,744	19,817	28,561	25,826
<b>Death benefits:</b>				
Lump sums	2	324	326	416
Dependants' pensions	2,858	1,759	4,617	4,396
Total death benefits	2,860	2,083	4,943	4,812
	£11,604	£21,900	£33,504	£30,638
<b>2006</b>	<b>£10,947</b>	<b>£19,691</b>		

## Notes to the financial statements for the year ended 31 March 2007

## 7 Administration costs

	Closed fund 2007 £'000	Open fund 2007 £'000	Combined fund 2007 £'000	Combined fund 2006 £'000
<b>General administration:</b>				
Employment costs	209	311	520	497
Office accommodation	38	56	94	90
General expenses	129	184	313	311
Trustees' honoraria	9	9	18	18
	<b>385</b>	<b>560</b>	<b>945</b>	<b>916</b>
<b>Professional services</b>				
Auditor's fees	14	20	34	32
Legal services	42	87	129	120
Investment consultancy	-	32	32	35
Actuarial services	70	131	201	240
Other	8	33	41	59
	<b>£519</b>	<b>£863</b>	<b>£1,382</b>	<b>£1,402</b>
<b>2006</b>	<b>£484</b>	<b>£918</b>		

During the year £14,263 (2006 - £32,828) of actuarial fees, £13,327 (2006 - £16,882) of legal fees and £1,216 (2006 - £Nil) of accountancy fees were charged to the employers' surplus pots and are included in enhancement costs in note 19.

## 8 Investment revenue

	Closed fund 2007 £'000	Open fund 2007 £'000	Combined fund 2007 £'000	Combined fund 2006 £'000
Income from fixed interest securities	-	2,128	2,128	3,257
Dividends from equities and convertibles	1,436	2,585	4,021	6,411
Income from index linked securities	3,165	1,888	5,053	4,263
Income from pooled investment vehicles	198	665	863	802
Net rents from properties	-	4,627	4,627	4,280
Interest on cash deposits	749	398	1,147	717
Underwriting commission	-	-	-	23
	<b>£5,548</b>	<b>£12,291</b>	<b>£17,839</b>	<b>£19,753</b>
<b>2006</b>	<b>£4,920</b>	<b>£14,833</b>		



## Notes to the financial statements for the year ended 31 March 2007

### 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, Henderson Global Investors 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).

	2007 £'000	2006 £'000
Closed fund	-	-
Open fund	6	(116)
<b>Total</b>	<b>£6</b>	<b>£(116)</b>

## Notes to the financial statements for the year ended 31 March 2007

### 11 Taxation

The ITB Pension Funds is a Registered Pension Scheme under Chapter 2 of Part 4 of the Finance Act 2004.

No tax liability exists for the Open Fund, where benefit improvements have been granted from 1 April 1999 and a reduction in members' and employers' contributions have been allowed to 31 March 2014, thus ensuring that the Fund complies with the requirements of the Finance Act 1986.

Due to a change in pension legislation no tax is payable by the Closed Fund for the year or future periods. The credit in the accounts for 2007 represents tax overprovided in prior years.

	Closed fund 2007 £'000	Closed fund 2006 £'000
Income tax	-	(78)
Capital gains tax	-	(8)
	-	(86)
Prior year adjustment	14	12
	<b>£14</b>	<b>£(74)</b>

## Notes to the financial statements for the year ended 31 March 2007

### 12 Investments

The movements in investments during the year were:

	Closed fund 2007 £'000	Open fund 2007 £'000	Combined fund 2007 £'000	Combined fund 2006 £'000
Market value at 1 April 2006	222,522	590,296	812,818	705,385
Purchases at cost				
Property	-	6,101	6,101	
Fixed interest / index linked	-	318,553	318,553	
Equities	9,209	49,147	58,356	
Pooled investment vehicles	1,635	30,119	31,754	
Bank deposits	15,607	-	15,607	
Forward currency contracts	-	15,426	15,426	
	26,451	419,346	445,797	564,480
Disposal proceeds				
Fixed interest / index linked	(23,455)	(309,403)	(332,858)	
Equities	(8,843)	(38,866)	(47,709)	
Pooled investment vehicles	(1,873)	(53,449)	(55,322)	
Bank Deposits	-	(6,510)	(6,510)	
Forward currency contracts	-	(15,475)	(15,475)	
	(34,171)	(423,703)	(457,874)	(570,079)
Change in market value of investments	4,950	34,327	39,277	113,032
<b>Market value at 31 March 2007</b>	<b>£219,752</b>	<b>£620,266</b>	<b>£840,018</b>	<b>£812,818</b>

Change in market value of investments comprises:

	£'000	£'000	£'000	£'000
Profit on realisation of investments	10,197	33,621	43,818	53,047
Profit on forward currency contracts	-	49	49	431
	10,197	33,670	43,867	53,478
Movements in unrealised profits	(5,247)	657	(4,590)	59,554
	£4,950	£34,327	£39,277	£113,032
<b>2006</b>	<b>£21,867</b>	<b>£91,165</b>		

At 31 March 2007 £135,512,569 (2006 - £75,602,451) was invested in the BGI Aquila Life UK Equity Index Fund. There are no other 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 31 March 2007

## 12 Investments (cont'd)

	Closed fund valuation 2007 £'000	Closed fund cost 2007 £'000	Open fund valuation 2007 £'000
<b>Commercial property</b>			
Freehold	-	-	68,355
Long leasehold	-	-	16,495
<b>Fixed interest securities</b>			
UK Public sector	-	-	56,018
UK Corporate	-	-	2,659
<b>Index linked securities</b>			
UK	130,444	79,275	68,400
<b>Equities</b>			
UK	40,677	30,315	-
Overseas	-	-	-
<b>Pooled investment vehicles</b>			
UK Public sector fixed interest securities	2,717	2,253	-
UK Corporate fixed interest securities	-	-	44,438
Overseas fixed interest securities	2,755	2,641	-
UK equities	-	-	165,742
Overseas equities	24,317	14,287	167,127
Diversified hedge funds	-	-	18,643
Commercial property	-	-	5,913
<b>Bank deposits</b>	18,842	18,842	6,372
<b>Forward currency contracts</b>	-	-	104
<b>Total at 31 March 2007</b>	<b>£219,752</b>	<b>£147,613</b>	<b>£620,266</b>
<b>Total at 31 March 2006</b>	<b>£222,522</b>	<b>£145,136</b>	<b>£590,296</b>

- 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.

## Notes to the financial statements for the year ended 31 March 2007

Open fund cost 2007 £'000	Combined fund valuation 2007 £'000	Combined fund cost 2007 £'000	Combined fund valuation 2006 £'000	Combined fund cost 2006 £'000
44,672	68,355	44,672	57,330	38,571
9,561	16,495	9,561	15,130	9,561
57,471	56,018	57,471	69,735	69,853
2,615	2,659	2,615	1,626	1,502
67,994	198,844	147,269	204,738	144,999
505	40,677	30,820	136,212	104,850
-	-	-	2,344	2,239
-	2,717	2,253	2,305	1,772
33,357	44,438	33,357	41,486	30,857
-	2,755	2,641	2,319	2,096
155,587	165,742	155,587	75,654	74,086
110,911	191,444	125,198	176,408	120,363
16,000	18,643	16,000	11,359	10,000
5,999	5,913	5,999	-	-
6,372	25,214	25,214	16,118	16,118
-	104	-	54	-
<b>£511,044</b>	<b>£840,018</b>	<b>£658,657</b>	<b>£812,818</b>	<b>£626,867</b>
<b>£481,731</b>	<b>£812,818</b>	<b>£626,867</b>		



## Notes to the financial statements for the year ended 31 March 2007

## 13 Fixed assets

	Cost £'000	Depreciation £'000
Balance at 1 April 2006	428	286
Additions	64	-
Depreciation charge	-	65
Balance at 31 March 2007	492	351
<b>Net book value: 31 March 2007</b>	<b>£141</b>	
<b>Net book value: 31 March 2006</b>	<b>£142</b>	

## 14 Current assets

	Closed fund 2007 £'000	Open fund 2007 £'000	Combined fund 2007 £'000	Combined fund 2006 £'000
Bank balances	322	889	1,211	936
Debtors:				
Amounts due from Employers				
Employers' contributions	-	345	345	419
Employees' contributions	-	175	175	180
Amounts due from brokers	470	549	1,019	25
Investment revenue receivable	925	1,043	1,968	2,977
Income tax receivable	4	10	14	1
Sundry debtors	3	144	147	59
External current assets	1,724	3,155	£4,879	£4,597
Inter-fund balance	-	51		
<b>Individual fund's current assets 2007</b>	<b>£1,724</b>	<b>£3,206</b>		

	Closed fund £'000	Open fund £'000	Combined fund £'000
31 March 2006:			
External current assets	1,215	3,382	£4,597
Inter-fund balance	-	51	
Individual fund's current assets 2006	£1,215	£3,433	

Amounts due from employers in respect of contributions, which relate to March 2007, 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 31 March 2007

**15 Current liabilities**

	Closed fund 2007 £'000	Open fund 2007 £'000	Combined fund 2007 £'000	Combined fund 2006 £'000
Withdrawal benefits:				
Transfers and contribution refunds	-	-	-	30
Amounts due to brokers	9	550	559	1,082
Taxation	-	-	-	48
Sundry creditors	207	1,125	1,332	1,628
External current liabilities	<b>216</b>	<b>1,675</b>	<b>£1,891</b>	<b>£2,788</b>
Inter-fund balance	51	-		
<b>Individual fund's current liabilities 2007</b>	<b>£267</b>	<b>£1,675</b>		

	Closed fund £'000	Open fund £'000	Combined fund £'000
31 March 2006:			
External current liabilities	599	2,189	£2,788
Inter-fund balance	51	-	
Individual fund's current liabilities 2006	£650	£2,189	

**16 Financial commitments**

At 31 March 2007 there were forward currency transactions amounting to £15,215,998 (2006 - £23,633,628) due for settlement in April 2007.

**17 Member credited service**

Additional voluntary contributions (AVCs) made during the financial year to purchase added years under the Open Fund (Old Section) of £108,562 (2006 - £112,793) 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 31 March 2007

### 18 Money purchase schemes

Additional Voluntary Contributions (AVCs) are receivable for separate investment for the benefit of individual Members. The Scheme's 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 Members may use the money purchase investments they may have accumulated under the Scheme's AVC arrangements to provide a cash lump sum at retirement. This sum would be tax-free under current legislation and subject to certain limits. Such transfers from the Scheme's AVC arrangements are included in individual transfers from Money Purchase 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 2007 £'000	Scottish Life 2007 £'000	Prudential 2006 £'000	Scottish Life 2006 £'000
Funds as at 1 April 2006	333	1,146	170	1,343
Members' AVC contributions	134	25	56	86
Transfers into Prudential from Scottish Life	467	(467)	70	(70)
Interest credited by SLAC	-	21	-	36
Interest and bonuses credited by PAC	13	-	3	-
Change in market value of units	47	-	38	-
	994	725	337	1,395
Transfers out (including to main fund)	(12)	(62)	(4)	(249)
<b>Funds at 31 March 2007</b>	<b>£982</b>	<b>£663</b>	<b>£333</b>	<b>£1,146</b>

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
- Aberdeen Life Balanced
- Overseas Equity (Passive)
- UK Equity (Passive)
- Fixed Interest
- Socially Responsible
- Retirement Protection

## Notes to the financial statements for the year ended 31 March 2007

### 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 in earmarked 'pots'. These 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:-

	2007 £'000	2006 £'000
Members' contributions	39	82
Employers' contributions	2,797	1,733
Enhancement costs	601	494

These charges are to the Employer's 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. TPAS is at 11 Belgrave Road, London SW1V 1RB, or [www.pensionsadvisoryservice.org.uk](http://www.pensionsadvisoryservice.org.uk).

### Pensions Ombudsman

If TPAS 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 complaints 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 TPAS. The Ombudsman's address is also 11 Belgrave Road, London SW1V 1RB, or [www.pensions-ombudsman.org.uk](http://www.pensions-ombudsman.org.uk).

### Pensions Regulator

On 6 April 2005, the Pensions Regulator replaced the Occupational Pensions Regulatory Authority (OPRA) as the regulator of work-based pensions 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, or [www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk).

### Pension Tracing Service

If you think you may have an old pension, but are not sure of the details, the Pension Tracing Service can usually help by tracing it for you. The Pension Tracing Service (part of the Department for Work and Pensions) has access to a database of over 200,000 occupational and personal pension schemes and can be used, free of charge, to search for a scheme.

If you would like the Pension Tracing Service to trace a pension scheme for you, phone 0845 6002 537 (Textphone 0845 3000 169) for an application form or visit [www.pensionservice.gov.uk](http://www.pensionservice.gov.uk). Or write to them at: Pension Tracing Service, The Pension Service, Tyneview Park, Whitley Road, Newcastle upon Tyne, NE98 1BA

### HM Revenue & Customs Registration

The ITB Pension Funds is a Registered Pension Scheme under Chapter 2 of Part 4 of the Finance Act 2004. (HM Revenue & Customs 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](http://www.itb-online.co.uk)

E-mail to: [pensions@itb-online.co.uk](mailto:pensions@itb-online.co.uk)

responsibility training excellence expertise knowledge safety skills

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