



YOUR SCHEME WORKING FOR YOUR FUTURE

The ITB Pension Funds / Trustees' Report & Financial Statements / 2012 / 13



Scheme Reference No. 10169800



The ITB Pension Funds

Profile

The ITB Pension Funds, consisting of the Open and Closed Funds, is set up under a Trust Deed and Rules and administered by a Board of Trustees comprising of Member (including Pensioner) Trustees 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 are in the main invested by independent investment managers who are appointed by the Trustees. The Closed Fund has no Participating Employers paying contributions, and while it is predominantly invested in assets that are intended to match the liability, it also employs a number of independent external investment managers appointed by the Trustees.

Employees of the Participating Employers may join the ITB Pension Funds (Open Fund) subject to eligibility conditions. The Open Fund offers both Defined Benefit (DB) and Defined Contributions (DC) Sections (DB is where pension is based on a member's salary and service and DC is where the member receives a pension based on the contributions made and the investment return that the contributions have produced). Life Assurance is provided under both the DB and DC Sections. With effect from 1 April 2012, the Open Fund consisted of four separate Sections:

- the original section of the Open Fund, known as the 'Old Section'
- the 'New Section', which was introduced on 1 September 2003
- the '2007 Section', which was introduced on 1 January 2007
- the 'DC Section', which was introduced on 1 April 2012

The benefits received by members are determined by the Scheme Section elections made by their Employers.

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Chairman's Statement

Year under review



My first year as Chairman has passed by extraordinarily quickly, presenting a number of challenges along the way and thoroughly immersing me in the business of the Funds.

It was a period that coincided with further disruption and volatility in global financial markets which brought with it the enduring problems associated with subdued economic growth. However, despite this backdrop markets rallied in the last quarter of the Scheme year ended 31 March 2013 when we broke new ground with the combined assets of the Open and Closed Funds for the first time topping the £1billion mark.

The progress made in these turbulent times is a reflection of sound investment advice and a well thought out investment strategy combined with the skill of our investment managers in meeting or exceeding the various investment performance targets set them by the Trustees' Investment Committee.

Against this success in increasing the value of the Scheme's assets we need to balance the continuing negative effects of historically low yields on gilts which increases the valuation placed on pension liabilities and contributing to the ITB Open Fund, like many others, being in deficit. Currently this situation shows no signs of changing with interest rates at an all time low and poor economic growth remaining a problem, despite the best attempts of many Governments to stimulate growth; which highlights one of the key issues faced when positioning our investment strategy. In conjunction with our advisers, we shall however continue to optimise the portfolio whenever we can.

Open Fund Valuation and Deficit Recovery Plan

Following agreement of the March 2010 formal actuarial valuation for the Open Fund, a deficit

funding plan was agreed with Employers which was intended to eliminate the £51m shortfall over a seven year period (or ten year period if an Employer provides additional security). However, it is important to remember that valuations are extremely sensitive to a number of factors that are largely outside the control of your Trustees, including interest and mortality rates amongst others and changes in the value of the assets of the pension scheme. The deficit recovery plan is scheduled to be formally reassessed following the actuarial valuation being carried out as at 31 March 2013. This will determine the basis of the Scheme's funding requirements over the period to the 2016 triennial valuation and provide the background to discussions to agree an updated deficit recovery plan with Employers.

As part of the valuation process, the Actuary will also consider the implications for the funding of the defined benefit (DB) Sections of the Scheme given that most of our Participating Employers have introduced the defined contribution (DC) Section for their new eligible employees.

Work on the triennial valuation as at 31 March 2013 is currently underway.

Employer Covenant

When determining the assumptions to use in an actuarial valuation the strength of the covenant provided to the Scheme by each of the Participating Employers is extremely important. The weaker that an Employer's covenant is perceived to be, the less tolerant of risk a Trustee Board is likely to be and hence the more prudent the adopted assumptions. Therefore the strength and capacity of each Employer to support the Scheme is of key importance.

This assessment of the financial strength of Employers to stand behind the pension promises and how this may have changed since the previous valuation and what other relevant plans or developments Employers have, as well as their ability and willingness to inject funds when needed, is all part of the now regular process undertaken by our independent professional covenant assessors who specialise in this area.

As a multi-employer scheme of non-associated employers the ITB Pension Funds is a much more complicated arrangement than many other single employer pension schemes, creating a sometimes complex challenge for covenant monitoring and agreeing deficit recovery plans to meet the needs of all parties. The covenant monitoring reports we commission from our advisers help us to better understand these matters.

Closed Fund

As the latest triennial actuarial valuation of the Closed Fund as at 31 March 2012 was the first to have taken place following the buy-in with PIC, it was important to ensure the assumptions used reflected the Closed Fund's changed circumstances, while maintaining the appropriate level of prudence in line with the requirements of legislation. As expected we took advice from our Actuary to ensure that the economic and actuarial assumptions we adopted for the 2012 Closed Fund valuation were appropriate.

We were also mindful that in the unlikely event that PIC was to default, despite our thorough due diligence investigations showing PIC to be one of the stronger insurance companies, the Financial Services Compensation Scheme (FSCS) was expected to meet at most 90% of the value of the benefits payable. Consequently, following the buy-in we adopted a policy of retaining reserve assets as a hedge against such an event occurring, however unlikely.

As at the 31 March 2012 valuation date, after allowing for liabilities and based on the assumptions and approach adopted for the valuation, a distributable surplus of £18.8 million was declared. The Trustees are able to distribute up to one-third of this surplus without reference to the Employers who participate in the ITB Funds. This amount was sufficient to provide a special increase of 3.4% to all Closed Fund pensions in payment and deferred members' pensions, as at 1 February 2013. This special increase was in addition to the annual increase provided under the Rules, which was 2.2% this year and paid in April 2013.

The next full valuation of the Closed Fund is due as at 31 March 2015.

Interim Financial Assessments

Between the mandatory triennial valuations of the Open and Closed Funds we periodically obtain interim financial assessments to evaluate whether the funding strategy is on track and provide an update as to the current funding level. These assessments do not re-calculate contribution rates or deficit payments.

Open Fund

The Board of Trustees last commissioned an interim assessment as at 31 March 2012.

The interim valuation updated the last triennial valuation in 2010 using the same membership data and demographic/actuarial assumptions. However, the financial information was updated to reflect changes in market values as at 31 March 2012 and actual cash-flow data was used.

While the actuarial valuation sets the contribution rates and deficits payments required from Participating Employers for the three years following the valuation, the interim financial assessment provides some insight into how the funding position has progressed against the funding strategy set out at the 2010 triennial valuation. Put short, it is a snapshot of the funding level at a particular point in time and provides an opportunity to consider the options if the situation changes in a significant and or unexpected way.

As at 31 March 2012 the funding level was 92%. This compares to 98% at 31 March 2011, which represented an increase in the deficit from £16m to approximately £65m. This deterioration, which was despite the deficit contributions paid by Employers, is primarily due to the fall in discount rates which are based on long term gilt yields used to calculate pension liabilities. The present value of the liabilities is compared with the value of the Scheme assets to determine whether the Scheme is in surplus or deficit. A reduction in the discount rates increases the value of the liabilities. This position was not helped by the effects of quantitative easing which has had a significant impact on pension funds by having a downward influence on long term interest rates.

Chairman's Statement

Closed Fund

There was no interim assessment of the Closed Fund as at 31 March 2012 because the triennial valuation was being carried out at the same date.

Statement of Investment Principles (SIP)

The Scheme SIP is a written statement of the principles governing decisions about investment for an occupational pension scheme which the Trustees are required to prepare and maintain through regular monitoring, particularly following an actuarial valuation or where there has been a change in policy. The Trustees must have regard to advice from a suitably qualified person and consult with the Employers.

The SIP must set out the basis on which the Trustees plan to invest the Scheme assets. There are detailed regulations for the contents of a SIP and a pension scheme's sponsoring employers have a right to be consulted on the contents of the SIP and any revisions the trustees periodically make, but they may not dictate the scheme's investment policy.

The ITB Trustees' SIP for the Open and Closed Funds describes our investment approach and the current SIPs can be found on the ITB Pension Funds' website at www.itb-online.co.uk

Your Trustees regularly review the SIPs and are required to consult with the Participating Employers before changing the SIPs and adopting any new investment strategy.

Governance

Effective corporate governance is central to our ability as Trustees to operate successfully as a board and contributes towards the long term success of the Funds; bearing in mind we are responsible to the Funds' members, pensioners and Participating Employers for the security of benefits over the long term.

We consider all the aspects of the Funds' operations necessary to provide good governance including risk management and the internal control framework, underpinned by ensuring that the Trustees and Funds' Office staff are properly trained to carry out their

responsibilities. Procedures are in place to ensure that your Trustees are properly briefed, so that decisions taken by the Board are based on the fullest available information. At every Board meeting there are reviews of operational, financial and administrative matters with the Funds' key professional advisers available to provide input and guidance.

Procedures to deal with Trustees' conflicts of interest

As a Trustee Board we are wholly aware that our primary operating purpose it is to serve the members, pensioners and yet be mindful of the important role that the Employers have in the context of funding the Scheme. One or more Trustees may on occasion be subject to conflicts of interest or perceived conflicts and we have adopted various policies, controls and procedures and ongoing careful monitoring to address or limit actual or perceived conflicts.

This is a matter for the Board that as your Chairman I take very seriously.

Regulation and Legislation

The pensions industry is subject to extensive regulation, not least of all by The Pensions Regulator whose aim it is to provide codes of practice and guidance on key aspects of pensions regulation. We analyse these statements closely for how they may affect the Funds, the membership and the Employers for any action that may be required by the Trustees.

Furthermore, in his Autumn Statement the Chancellor unveiled a host of measures for the pensions industry, but the one with perhaps the most immediate impact is the reduction in the Annual Allowance, the maximum amount an individual can accrue in a year and receive tax relief, which will be reduced to £40000 from the current £50000 from April 2014. Furthermore, the Lifetime Allowance, the overall maximum amount of pension related benefits that an individual can accrue, will be cut to £1.25 million from the current £1.5 million from April 2014. Exceeding the Annual Allowance or Lifetime Allowance may mean the individual becoming subject to tax at a high rate.

Auto-enrolment

Basically, under the Pensions Act 2008 all employers will be obliged to automatically enrol most 'workers' (those aged between 22 and State Pension Age and have earnings in excess of the 'earnings trigger'; currently £9,440) into a suitable pension scheme. Employers must also give certain other workers the right to opt into or join a suitable pension scheme. The pension scheme an employer chooses to use for this purpose must meet certain conditions and minimum contribution levels. Employers may use any current pension scheme they have in place; establish a new pension scheme or utilise NEST (the National Employment Savings Trust), a

of Pensionable Salary. As the DC Section now contains the modifications required for auto-enrolment we anticipate that Employers will elect to use the DC Section to meet their obligations in this area. Ultimately though it is Employers responsibility to ensure that the scheme they choose for this purpose meets the requirements of auto-enrolment.

Communication

Further work to enhance the usefulness and flexibility of the Funds' websites was completed earlier in the year. This was important in helping us simplify the distribution of up to date information to members and the various Employers in a multi-employer, multi-benefit

“Further work to enhance the usefulness and flexibility of the Funds' websites was completed earlier in the year. This was important in helping us simplify the distribution of up to date information to members and the various Employers in a multi-employer multi-benefit scheme like the ITB Pension Funds.”

pension scheme established by the Government that any UK employer may use.

Auto-enrolment will therefore have an impact on the Open Fund as it will involve Employers in making pension contributions for qualifying current non-members of the ITB Pension Funds. Construction ITB will be the first of the Participating Employers to be affected by auto-enrolment, but this will not be until 1 September 2013, with other Employers having to adopt the process between 2014 and 2017 depending on numbers of employees on their payroll.

When the Trustees approved the design of the DC Section in 2011 it is noteworthy that we did so with a view that it should accommodate the auto-enrolment requirements of legislation as requested by Employers, even though at the time auto-enrolment had still to be formalised by Government. It was also agreed with Employers that the combined minimum Employer/Member contribution to the DC Section should be 9%

scheme like the ITB Pension Funds. These changes enable us to meet the changing needs of the Employers and membership going forward as the new system and structure has been developed so that accommodating Employer specific pages and content for situations like auto-enrolment is not an issue.

Members and Pensioners can now access on-line information and the MyITB pension and Additional Voluntary Contribution modeler on **www.itb-online.co.uk** with individual Employers able to gain entry to the information specific to them and their membership through user password access. DC members can also access their Membership Booklet via the website and link-in to the relevant part of the Legal & General website to access their DC accounts.

AVCs

Together with our professional investment advisers we periodically carry out a review of the Additional Voluntary Contribution (AVC)

Chairman's Statement

arrangements available under the Scheme to ensure the quality and suitability of AVC fund options available remain appropriate for member investment. Our practice is in keeping with the Regulator's guidance that trustees maintain a high standard of vigilance where members' investments are concerned.

This includes monitoring the charges and competitiveness of the investment choices and financial strength of the AVC provider over time in the light of market developments. Following the latest such review we decided to transfer all accrued AVC funds from Prudential to Legal & General (L&G), with the exception that L&G did not operate a fund to replicate the Prudential With-Profit fund.

Trustees

Thanks go to my colleagues on the Trustee Board for their support and contribution throughout the year. They bring a wide range of experience to the table as we continue to work diligently and effectively in helping to build a successful future for the Funds.

An effective board is central to the long term sustainable success of the Funds and I am in no doubt that the performance of the Board is enhanced by the good working relationship I have with the Investment Committee and Management Panel which include my two fellow Deputy Chairmen, as we continue to work together to ensure that the best use of the time and talents of the Board are applied at Board meetings.

Funds' Staff

I would like to thank the Funds' Office for their longstanding emphasis on operational excellence through continuous improvement, whilst paying tribute to the leadership of Vincent Gordon and his senior management team of Dave Faulkner and Dennis Matthews for putting our plans into action and continuing to steer the Funds' operations on such a clear and purposeful course. It is their integrity and dedication that contribute to our success. They are an important asset.

Outlook

Undoubtedly, the major event in the Trustees' calendar this year is the triennial valuation of the Open Fund which is an involved process that extends over many months.

The results of the valuation, which are expected later this year, are of prime significance as they provide updated information on the circumstances, including the latest funding position of the Scheme. The results are of particular importance to our Participating Employers as they will want to know how it could impact their budgets, both in relation to the current deficit recovery plans that are in place and the ongoing Employer contributions required to fund the future benefits promised under the Scheme.

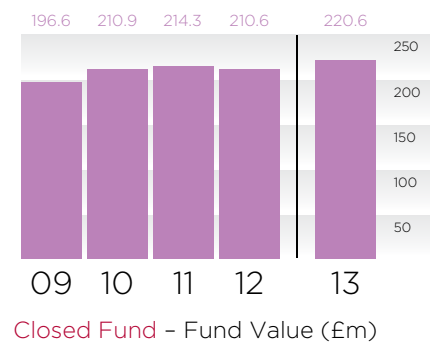
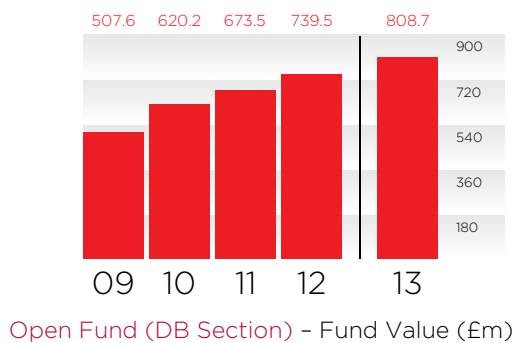
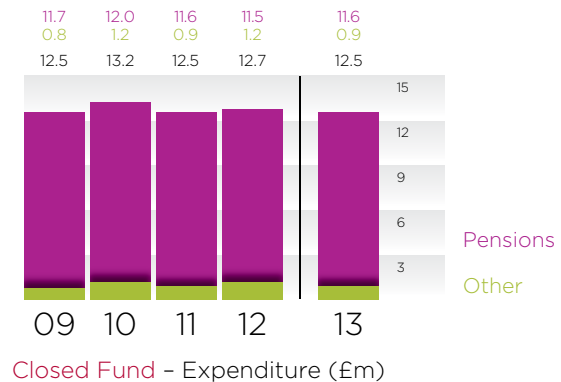
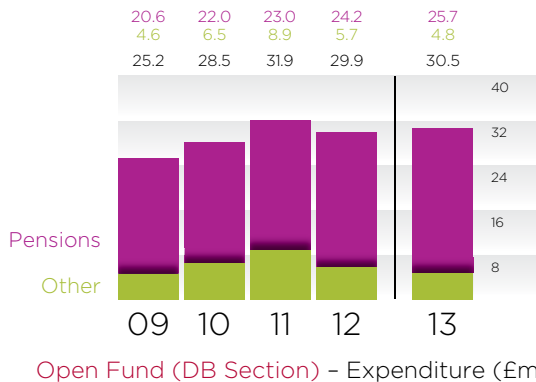
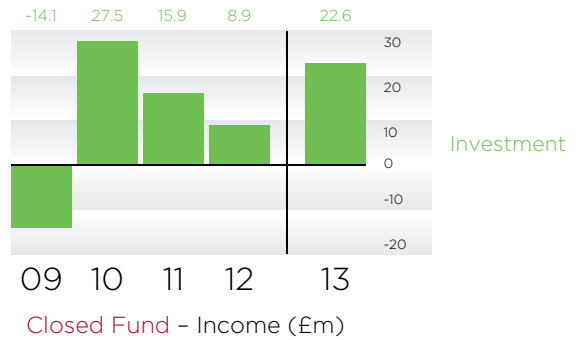
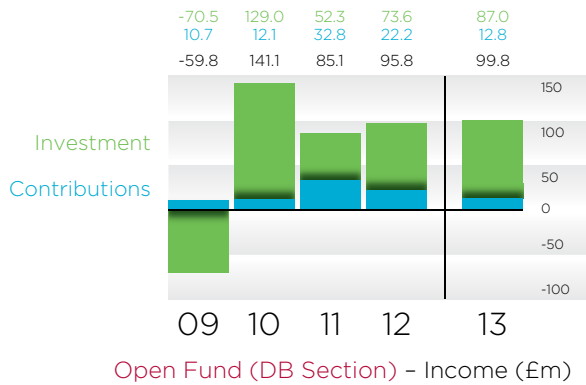
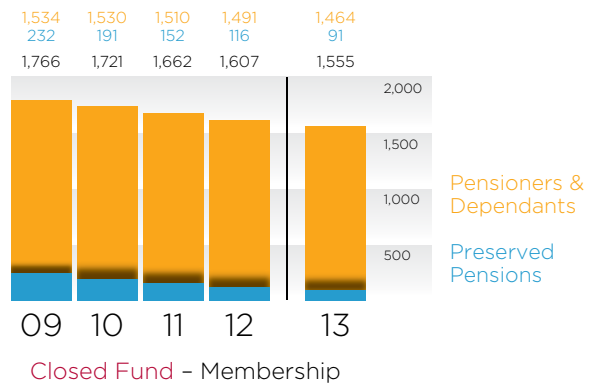
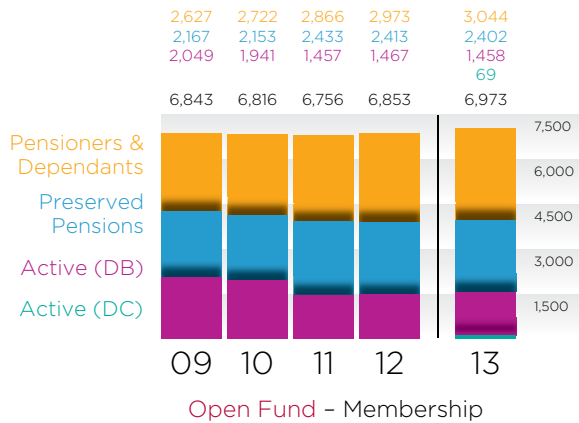
The abolition of contracting-out will be another significant upheaval for defined benefit schemes like the ITB Pension Funds and involve Employers in further scrutiny of their pension costs, as the National Insurance contracted-out rebate will be withdrawn by Government in consequence of the closure of the State Second Pension (S2P). Members' contributions will be similarly affected when the rebate is withdrawn. Although this is not due to occur until April 2016 there will be a variety of implications for defined benefit schemes that will require advice, careful consideration and planning and time to implement. We shall be commencing our analysis of this upcoming and important change during the year.

Undeniably the Board of Trustees will face challenges as we remain focused on protecting the interests of members and pensioners whilst balancing the interests of the Fund's sponsoring Employers to agree long-term strategies that protect member benefits. We shall take these objectives head on to do all we can when working with Employers to strengthen the Funds for the years ahead.



Jonathan Swift
Chairman of Trustees – 5 July 2013

Five Year Summary



Board of Trustees

Employers' Trustees



Jonathan Swift
(Chairman)

Nominated by:
Lantra
(Deputy Chairman of Lantra)



Peter Rogerson, OBE
(Deputy Chairman-
Employers)

Nominated by:
ConstructionSkills*
(Retired Deputy Chairman of
CITB-ConstructionSkills)



David Birtwistle

Nominated by:
Science, Engineering
and Manufacturing
Technologies Alliance
(Remuneration Committee
Member for SEMTA)



Tony Pringle

Nominated by:
Cogent SSC Limited
(Director of TPPLAST Ltd)



Simon Tarr

Nominated by:
People 1st
(Chief Operating Officer
for People 1st)



Members' Trustees



Roisin Boyer

Nominated by:
People 1st
(Head of HR for People 1st)



Susan Smart

Nominated by:
Engineering
Construction ITB
(Regional Account Manager -
Offshore)



Chris Hall

Nominated by:
Skills for Logistics,
CAPITB Limited,
Cogent SSC Limited,
Scottish Electrical
Charitable Training
Trust (SECTT)

(Finance & Administration
Director for Skills
for Logistics)



Rob Sweeney

Nominated by
the Trade Union
'Unite' for:
ConstructionSkills*
(Product Developer for
CITB-ConstructionSkills)



Madge Moore

Nominated by:
Lantra
(National Director - England
for Lantra)



*ConstructionSkills is the trading name of Construction ITB



Gordon McNeil

Nominated by:
OPITO Limited
(Technical Programs Director
for OPITO Limited)



Newell McGuinness

Nominated by:
Scottish Electrical
Charitable Training
Trust (SECTT),
CAPITB Limited
(Managing Director of
SELECT)



**Terry Lazenby,
MBE**

Nominated by:
Engineering
Construction ITB
(Retired Chairman of ECITB)



Note: No Employers'
Trustee for Skills
for Logistics in place
as at 31 March 2013.

Pensioners' Trustees



Reg D'Souza

Nominated by
the Trade Union
'Unite' for:
Science, Engineering
and Manufacturing
Technologies Alliance
(Research Manager
for SEMTA)



Note (i): No Members'
Trustee in place
for OPITO Ltd
as at 31 March 2013.
Note (ii): Mr Chris Hall
became Members'
Trustee for Skills
for Logistics as at
1 April 2013, leaving
vacant the position of
Joint Members' Trustee.



**David Barnett
(Deputy Chairman-
Members)**

Nominated by:
Open Fund Pensioners
Previously Road
Transport ITB
(Retired - Formerly Director
General of RTITB)



Hugh Edwards

Nominated by:
Closed Fund
Pensioners
Previously Road
Transport ITB
(Retired - Formerly Training
Assessment Manager RTITB)

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 10-11 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 average number of contributing Members at 31 December have a right to nominate an Employer Trustee for the three years commencing on the following 1 April (or such shorter period as the Trustee Board may determine), irrespective of annual changes in active membership numbers in the period following appointment. 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. Any 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.

The remaining Employers not large enough to appoint a Trustee on their own will co-operate in nominating a Joint Employers' Trustee. However, where the remaining Employers cannot reach agreement over a particular nomination then a nomination by majority vote of those Employers will stand. In the event that there was an equal vote then the largest Employer of the smaller Employer group will have a casting vote. Moreover, if a Larger Employer's participation is terminated then it would be replaced immediately by the largest of the Smaller Employers for the purposes of sole Trustee nomination.

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. The Trade Union concerned then nominates the Trustee.

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

All Trustees appointed are normally expected to serve a minimum of three years on the Trustee Board, subject to there being no change in any Employer's status from Large to Small Employer for the purpose of nominating a Trustee at the next 31 December head-count. If so, the period of Trustee appointment will come to an end as at the following 31 March.

The next member head count date is 31 December 2015.

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

A Trustee may resign at any time and will automatically vacate office if he or she ceases to fulfil the eligibility qualifications. In addition, a Trustee will immediately vacate office upon becoming bankrupt or of unsound mind. The Trustees have the power by resolution to terminate 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

Members' Trustees

Mike Harris, the Member Trustee for ConstructionSkills resigned his appointment on 26 June 2012 and was succeeded by Rob Sweeney on 6 July 2012, who had been nominated by the Trade Union 'Unite'.

Reg D'Souza, the Member Trustee for SEMTA retired by rotation on 8 October 2012 and, after being re-nominated by the Trade Union 'Unite', was reappointed to serve a further term from 9 October 2012.

Gillian Black, the Member Trustee for OPITO, resigned her appointment on 31 December 2012. However, there was no new nomination for a Members' Trustee from OPITO as the company became a Small Employer as at 31 December 2012.

Trusteeship

As a consequence of the active member headcount as at 31 December 2012, Cogent SSC Limited should have become a larger Employer for the purposes of nominating a Member Trustee with effect from 1 April 2013. However, Cogent advised that none of their active members was willing to serve as a Members' Trustee and, in such circumstances; the largest of the Small Employers is eligible to nominate a Members' Trustee.

OPITO Limited was the largest of the Small Employers, but OPITO, like Cogent, had also advised that none of their active members was willing to serve as a Members' Trustee.

Consequently, the next largest of the Small Employers, Skills for Logistics (S4L), was eligible to nominate a Members' Trustee. Therefore, Chris Hall of S4L was required to resign his position as Joint Members' Trustee as at 31 March 2013 and the nomination process needed to be undertaken for both a Members' Trustee for S4L (for which Chris Hall was eligible and subsequently nominated and appointed) and the nomination of a new Joint Members' Trustee (for which both Cogent's and OPITO's active members were eligible).

Pensioner Trustees

The period of office of the Closed Fund Pensioner Trustee, Hugh Edwards, is due to end on 31 March 2014.

The period of office of the Open Fund Pensioner Trustee, David Barnett, is due to end on 30 September 2014.

Employers' Trustees

Terry Lazenby, the Employer Trustee Engineering Construction ITB, retired by rotation on 2 July 2012 and was reappointed to serve a further term from 3 July 2012.

Bob Monks, the Employer Trustee for Skills for Logistics (S4L), resigned from office on 30 November 2012. As S4L had not named a replacement for their Employer Trustee the vacancy remained open at the Scheme year end.

Chairman

The period of office of the Chairman, Jonathan Swift, is due to end on 31 March 2015.

Deputy Chairmen

The period of office of Peter Rogerson as Deputy Chairman (Employers) is due to end on 31 March 2015.

The period of office of David Barnett as Deputy Chairman (Members) ended on 28 February 2013. He was reappointed to serve for a second three year term as Deputy Chairman (Members) from 1 March 2013, having stood unopposed in a ballot of Members' Trustees.

Trustee Training, Induction and Governance

All new Trustees undertake an induction programme 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 of 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 these assessments relevant training courses are then organised throughout the year, and at least one annual training seminar for all Trustees is organised.

To identify and manage any potential problems related to Trustees conflict of interests, the Funds' Office also maintains a Trustees' 'Register of Interests'. The content of this Register has been updated during the past year and takes account of guidance issued by the Pensions Regulator. Conflicts of interest are regarded as a priority area for the Trustees in their governance of the ITB Pension Funds.

The Trustees are committed to maintaining high standards of governance. The Board recognise that they, as Trustees of the ITB Pension Funds, are expected to act to the highest standards of responsibility at all times. A set of governance structures and practices, designed to ensure that the Funds are run responsibly in the best interests of all of the Funds' stakeholders, is therefore in place and adhered to.

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 the authorised sub-committees – the Investment Committee, the Management Panel and the Salaries Committee – serving the Trustees. On these occasions, matters of significance such as those concerning legal, actuarial, investment and administration are discussed and decisions made.

All of the Trustees are aware of the importance of their attendance at meetings.

There was overall 81% attendance at the Trustees' Board meetings.

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. Where members of the various committees are unable to attend any meeting then agenda matters are addressed with them either in writing or by telephone, both prior to and after the meeting. Where possible any committee member who is not able to attend a meeting in person will take part in the meeting by way of a conference telephone call.

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 has at least five scheduled meetings during the year plus a number of other supplementary meetings as necessary.

During the Scheme year to 31 March 2013 the Investment Committee included four Trustees.

The formal members of the Committee were:

Mr JF Swift Chairman
Mr PG Rogerson OBE Deputy Chairman (Employers)
Mr DC Barnett Deputy Chairman (Members)
Mr SCV Tarr Employers' Trustee

In addition to the formal members of the Investment Committee, an invited Trustee also attends meetings to both contribute and improve their knowledge and understanding.

There was overall 100% attendance at the Investment Committee meetings.

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 to the Trustee Board where necessary. They are assisted as appropriate in these roles by the Trustees' professional advisers. The Management Panel meets as and when necessary.

During the year to 31 March 2013 the Management Panel comprised three Trustees. The members were:

Mr JF Swift Chairman
Mr PG Rogerson OBE Deputy Chairman (Employers)
Mr DC Barnett Deputy Chairman (Members)

In addition to the formal members of the Management Panel, an invited Trustee frequently attends meetings to both contribute and improve their knowledge and understanding.

There was overall 92% attendance at the Management Panel meetings.

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 meets as and when required.

During the year to 31 March 2013 the members of the Committee were:

Mr JF Swift Chairman
Mr PG Rogerson OBE Deputy Chairman (Employers)

There was overall 100% attendance at the Salaries Committee meetings.

Officers and Advisers

Officers

Director

Vincent Gordon FPMI

Accountant

Dave Faulkner FCA

Communications & Benefits Manager

Dennis Matthews APMI

Advisers

Actuary

Government Actuary

Solicitors

Mayer Brown International LLP

Investment Managers

Barings Asset Management

BlackRock Advisors (UK) Limited

BNY Mellon Asset Management

Capital International

Henderson Global Investors Limited

Insight Investment

Investec Asset Management

Liongate Capital Management

Longview Partners LP

Pensions Insurance Corporation (PIC)

Ruffer LLP

Schroder Investment Management (UK) Limited

Stenham Asset Management

Legal & General Assurance Society limited
(DC Section)

Fletcher King

Lane Clark & Peacock LLP

Lane Clark & Peacock LLP

BlackRock Advisors (UK) Limited

JP Morgan Chase Bank

Universal Pension Trustees Limited

ITB Pension Trustees (1) Limited

ITB Pension Trustees (2) Limited

Chantrey Vellacott DFK LLP

Property Investment Managers

Investment Performance Monitors

Investment Advisers

Custodians

Auditor



Vincent Gordon
FPMI



Dave Faulkner
FCA



Dennis Matthews
APMI

Participating Employers

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

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:

CAPITB Limited

Cogent SSC Limited

Participating Subsidiaries:

Technical Apprenticeship Service Limited
(with effect from 1 April 2012)

Cogent (Telford) Limited

Construction ITB

Engineering Construction ITB

Lantra

OPITO Limited

People 1st

Participating Subsidiaries:

Hospitality Guild

National Skills Academy for Retail
(with effect from 1 April 2013)

Skillsmart Retail UK Ltd

(with effect from 1 April 2013)

Science, Engineering and Manufacturing Technologies Alliance

Participating 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

Skills for Logistics

Review of Principal Activities

Outlined in this section are the most significant developments and activities of the ITB Pension Funds during the course of the Scheme Year.

Closed Fund Actuarial Valuation

The results of the formal three-yearly valuation of the Closed Fund, carried out as at 31 March 2012, were announced during the Scheme Year. Further details relating to the valuation can be found under the Actuarial Section of this Report (See pages 30 to 34).

The 2012 valuation was the first to have taken place since the buy-in with the insurer PIC and, following the buy-in, the Trustees have adopted a policy of retaining reserve assets as a safeguard against unexpected financial circumstances. Consequently, these new developments represented a significant change in the valuation conditions.

After seeking to ensure that all relevant factors were taken into account the Scheme Actuary's formal assessment identified the Closed Fund to be in a surplus position of £18.8 million, increasing from £7.6 million as at the previous three-yearly valuation as at 31 March 2009.

As permitted under the Trust Deed and Rules, the Trustees may utilise up to one-third of the distributable surplus to apply a discretionary increase to pensions in payment and deferred pensions, without reference to Employers. Once the results of the valuation became available the Trustees undertook detailed consideration of a distribution and agreed to fund a special increase to all Closed Fund pensions in payment and deferred pensions of 3.4%. The special increase was purchased with PIC on pre-agreed terms.

The Funds' Office implemented the special increase from 1st February 2013, prior to the normal annual cost of living review under the Rules that resulted in a further 2.2% increase being applied in April.

Open Fund Actuarial Valuation - Defined Benefit Sections (DB)

The latest three yearly actuarial valuation of the Open Fund as at the 31 March 2013 is currently underway and the initial results are expected to

be available towards the end of the Scheme Year.

The previous formal three-yearly valuation of the Open Fund, carried out as at 31 March 2010, identified the Open Fund to be in a deficit position. Extensive work to prepare an acceptable recovery plan was carried out in the months following the 2010 valuation. This proved a complex task given the multi-employer nature of the Scheme. The Deficit Recovery Plan requires the Participating Employers to pay additional contributions to the Scheme which are intended to improve its funding level. Deficit recovery contributions have been paid by the Employers at the agreed levels since April 2011.

The Trustees also commission the Scheme Actuary to conduct regular actuarial financial assessments of the Scheme between formal three-yearly valuations. These assessments are normally carried out annually to ensure that the Scheme funding plan is on track. The latest interim review carried out as at 31 March 2012 identified the Open Fund to be in a deficit position with a funding level of around 92%.

The interim assessment does not take detailed account of all the factors that a formal valuation does. It essentially provides an overview of the funding position and is intended to alert the Trustees to the possibility of any serious concerns that may call for them bringing forward the formal valuation. The 2012 interim assessment result did not present a situation where it was considered necessary to bring forward the formal valuation and it is being carried out as scheduled as at 31 March 2013.

Employer Covenant

The Pensions Act 2004 imposes a duty on the pension scheme trustees to undertake regular reviews of the financial position of all its sponsoring employers, in order to assess whether they are financially able (and will remain able) to fulfil their financial obligations to the Scheme; known as the employer covenant. The employer covenant is therefore an important factor in the actuarial valuation.

The Trustees have measures in place to receive regular updates of Employer's financial

Review of Principal Activities (cont.)

positions and prospects in addition to the more detailed financial analysis which is performed annually.

Reviews undertaken during the year indicated that based on certain assumptions, the Scheme's Participating Employers continue to be sound and give rise to no immediate issues for the Trustees and for the most part Employers financial positions had developed in line with expectations.

Scheme Changes

In response to Employers' requests for greater certainty over pension costs that is difficult to achieve through a Defined Benefit ('DB') Scheme, a new Defined Contribution ('DC') section of the Open Fund was introduced with effect from 1 April 2012.

As at 31 March 2013 five of the ten Participating Employers in the Scheme had elected to take up the DC Section for new eligible employees. At the Scheme year end the DC Section had 69 active members, with a further 65 members joining with effect from 1 April 2013 as a result of the Scheme's largest Participating Employer, ConstructionSkills, offering the DC Section to their eligible new employees.

The introduction of auto-enrolment is expected to result in increased participation in the DC Section as Employers look for a cost-effective way of complying with the new duties imposed on them under the auto-enrolment legislation.

Auto-Enrolment

The Pensions Act 2008 imposes a new duty on all UK Employers requiring them to automatically enrol "eligible jobholders" (those aged between 22 and State Pension Age and have earnings in excess of the 'earnings trigger'; currently £9,440) into a pension scheme and make a pension scheme available to other employees between ages of 16 and 74 in addition to certain other categories of employee. This is all part of a Government initiative to improve the number of people saving towards retirement. The requirement has been phased in from 1 October 2012 and is

a significant development in the UK Pensions Industry that is a challenging change for employers.

The regulations require that the pension scheme an employer chooses to use for the purposes of auto-enrolment must meet certain conditions. To fulfil their obligations employers may utilise their existing pension scheme, establish a new pension scheme or utilise NEST (the National Employment Savings Trust), a pension scheme established by the Government that any UK employer may use. However, it is for employers to ensure that the pension they decide to use meets the auto-enrolment requirements.

Auto-enrolment will affect the largest of the Scheme's Participating Employers, ConstructionSkills, in the autumn of 2013, with the other Participating Employers becoming subject to operating under the auto-enrolment regulations between 2014 and 2017. The Trustees have introduced an auto-enrolment facility under the Scheme rules and they are currently in discussion with the Participating Employer's on how the Open Fund can best meet the Employers' needs.

Internal Controls

The Trustees' risk management approach is actively pursued by the Funds' Office, who are encouraged to be risk aware and to develop and implement risk control initiatives, to ensure that all staff act in accordance with their objectives and internal procedures and comply with the Trust Deed and Rules and relevant laws and regulations.

A regular programme of internal control reviews and specific investigations are carried out by the Funds' Office as part of the Trustees' risk control policy, which are followed up with regular Management Panel reviews. The internal control reviews include assessment of compliance with operating policies and procedures and are evaluated by the Funds' Auditors whose findings are addressed by the Funds' Office and reported to the Management Panel. The Trustees review the effectiveness

of the system of internal controls annually. This is an ongoing process involving regular assessment of the risks, with procedures for dealing with the identified risks. The Funds' Office risk management framework is continually being refreshed to better support Trustees' objectives and to recognise regulatory and legislative change.

40 years maximum service

The change announced last year that the existing 40 year cap on Old Section Pensionable Service was to be extended to the New and 2007 DB Sections came into effect from 1 September 2012 and work was conducted to identify and inform members affected by the change.

The Participating Employers asked the Trustees to make this change to the Rules because of their concern that the change in the law which removed the default retirement age of 65, might lead to Members continuing to accrue Pensionable Service long beyond what was originally expected, therefore increasing pension liabilities beyond what was previously envisaged.

AVC Scheme Changes

The Trustees offer a facility for all active members which enables them to accrue additional pension benefits through a Money Purchase arrangement by the payment of additional voluntary contributions (AVCs). Members receive income tax relief at source at their highest rate of tax when making AVCs, in the same way as making their normal member contributions to the ITB Pension Fund.

The Trustees along with their independent advisers regularly review the Scheme's AVC arrangement to ensure it continues to remain suitable and of a high standard in terms of the AVC fund options available to ITB members. Following a recent review of the Scheme's AVC provider, Prudential Assurance, the Trustees decided to transfer all accrued AVC funds to Legal & General (L&G); bar the Prudential With-Profits fund as L&G were not able to offer a similar arrangement. Therefore, existing

investors in the Prudential With-Profits Fund will have the option to continue investing in this remaining fund.

The reasons the Trustees decided to transfer members' Prudential AVCs included; the more appropriate range of funds and more sophisticated options offered by L&G at little extra cost and that overall the L&G funds operated lower annual management charges, so generally less of members' investment is taken up by management fees. Furthermore, L&G offer AVC members personal access to their AVC accounts.

The Trustees are entitled to make changes to AVC funds without the consent of members as they retain legislative and compliance responsibility for these assets.

Further information regarding the new AVC arrangement can be found on the ITB-Online website: www.itb-online.co.uk

Legislation and Regulatory Guidance

The Finance Act 2004 radically changed the maximum amount of pension and cash benefits an individual is able to take in pension benefits during their lifetime and benefit from tax relief by the introduction of the Lifetime Allowance.

The Act also put in place the Annual Allowance, which is the maximum amount of pension benefits an individual can accrue in a year that they are entitled to receive tax relief on.

Any pension benefits in excess of the Lifetime Allowance or the Annual Allowance are subject to a tax charge.

In the Chancellor's 2012 Autumn Statement the Government announced that it will reduce the Lifetime Allowance from its current rate of £1.5 million to £1.25 million and the Annual Allowance from £50,000 to £40,000 from the beginning of the 2014-15 tax year.

These reductions could see more Scheme members being affected by these limitations. While the Funds' Office is able to identify members who are likely to overshoot the limits, they can only do so in relation to ITB pension benefits and AVCs. This is because the

Review of Principal Activities (cont.)

limitations apply to benefits from all pension sources and the Funds' Office does not hold the account information of members pension benefits held outside of the Scheme and is not registered to provide financial advice. Members who feel they may be affected should therefore seek independent financial advice.

More information regarding the Lifetime Allowance and Annual Allowance can be found on the ITB-Online website: www.itb-online.co.uk

Investment

The Investment Committee continued the important work of ensuring the level of risk attached to the ITB investment portfolios is carefully balanced with the need to maintain the growth potential and investment return on the investments, which is addressed through maintaining a diversified investment strategy.

The Statements of Investment Principles (SIP) sets out the policy for the type of investments to be held for both the Open Fund and Closed Fund and the proportion to be held in the different types of investments. The Trustees' key objectives are:

- The acquisition of suitable assets of appropriate liquidity which will generate income and capital growth to meet the cost of current and future benefits.
- To limit the risk of the assets failing to meet the liabilities over the long term.
- To minimise the long-term costs by maximising the return on the assets.

The Investment Committee work to ensure these objectives are achieved by the ongoing monitoring of the Funds' asset allocation and the performance of the Investment Managers against pre-determined benchmarks. Action is taken in the event of investment managers underperforming.

Web

In last year's Review of Principal Activities it was announced that work had commenced on modifying the Funds' web facilities. During the Scheme Year work was carried out to upgrade and enhance the Funds' website to combine the ITB-Online information website and the 'MyITB' modelling facility so that both elements could be accessed through a single entry point, with only a need for one username and password. Work was also carried out to give the site a fresh look, improve functionality and make it more flexible and adaptable to future changes. Functionality on mobile devices, such as mobile phones and tablets was also greatly improved, giving members more flexibility on how they access their pension information.

The improved website was rolled out in September and has attracted on average six hundred visitors each month.

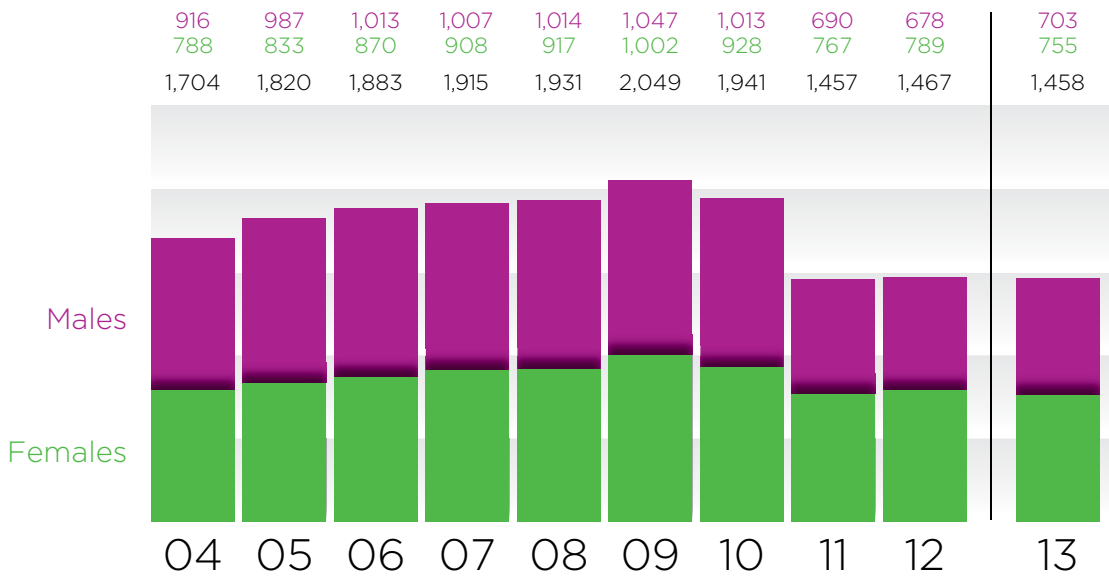
Membership

The ITB Pension Funds consists of two separate Funds, the Open Fund and the Closed Fund.

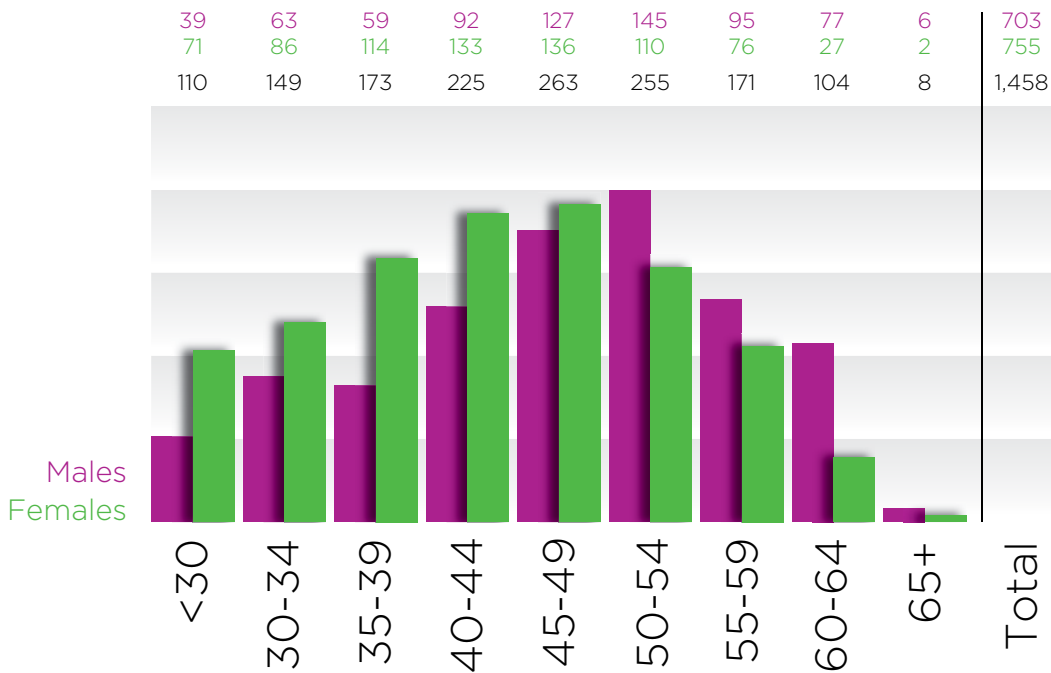
Active Members - DB Section

As at 31 March 2013 all active members are either in the “Old”, “New” or “2007” Sections of the Open Fund, with the majority of the active members now being in the 2007 Section. Overall, there was relatively little movement in active membership between this year and last.

Chart 1 - Active Members - DB Section



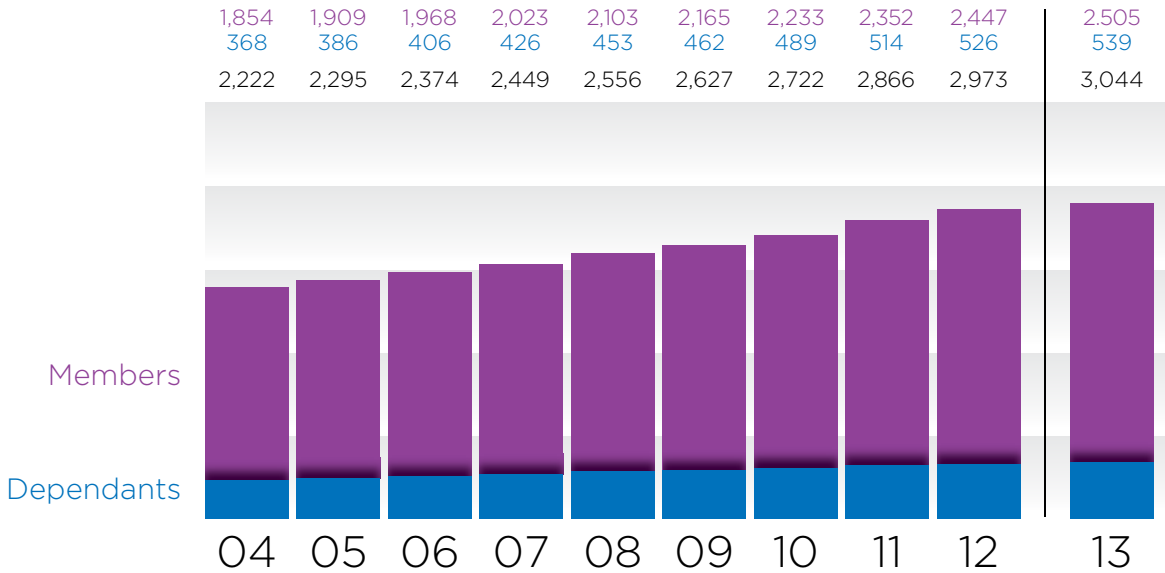
The age structure of the contributing members at 31 March 2013 was as follows:



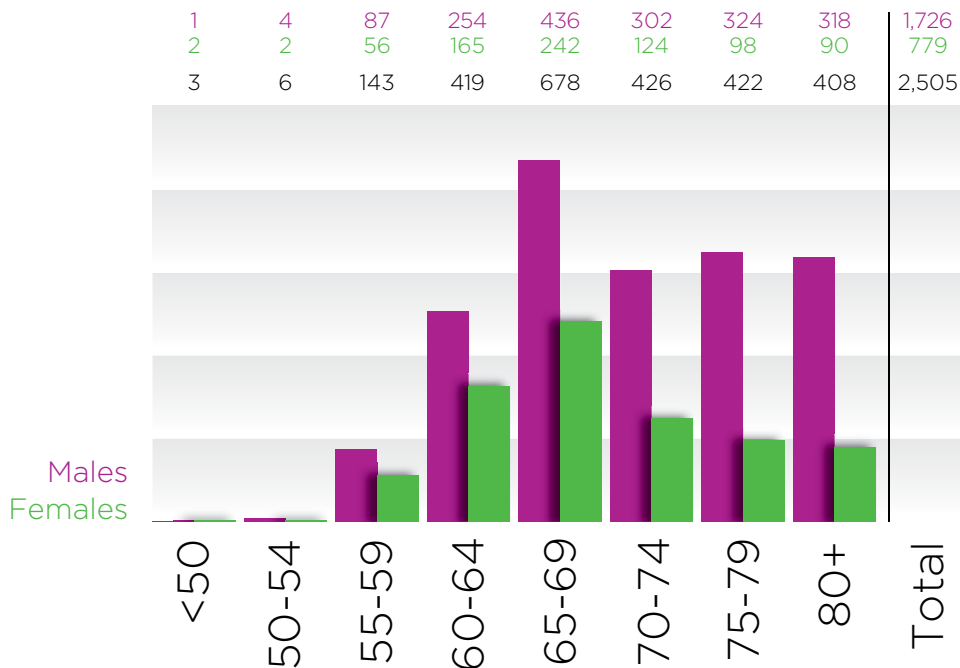
Pensioners - Open Fund - DB Section

Continuing the trend from previous years the Open Fund has seen a steady increase in the number of pensioners. Pensioners are either members or dependants and the number in each category is shown below.

Chart 2 - Pensioners Open Fund - DB Section



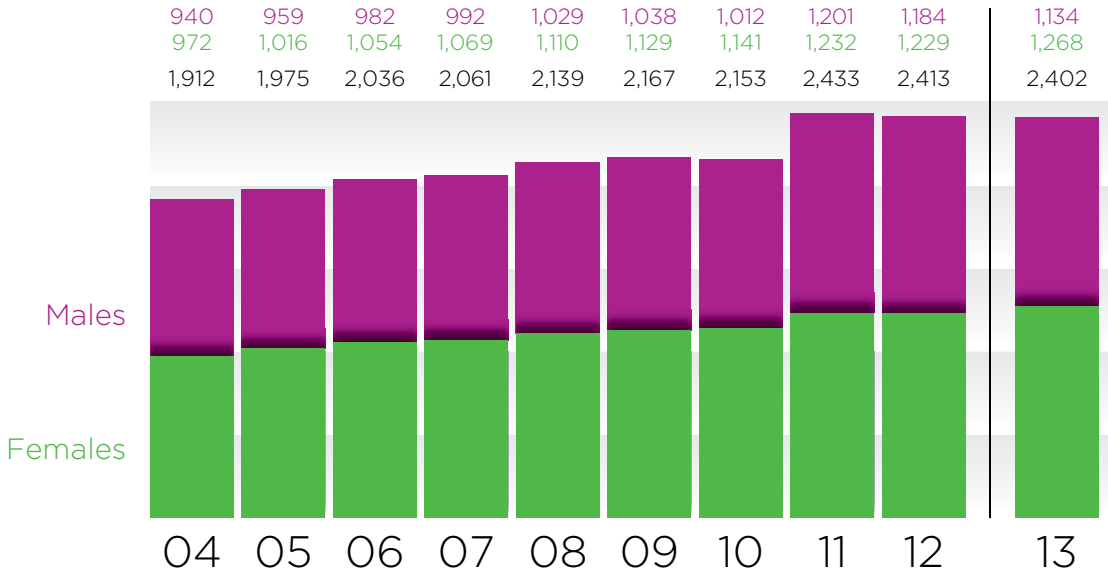
The age structure of pensioners in the Open Fund as at 31 March 2013 is shown below. The benefits paid to the pensioners cover early, normal, late retirement, compulsory and disability retirement.



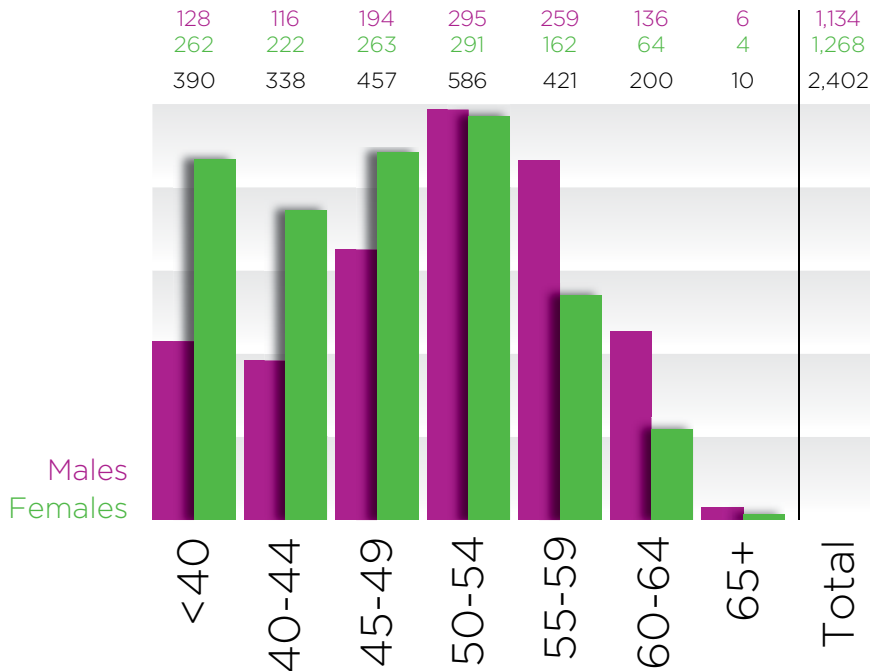
Deferred - Open Fund - DB Section

The number of preserved pensioners in the Open Fund as at 31 March 2013 is shown below. Preserved pensioners (also sometimes referred to as deferred pensioners) are members who have left service, but still hold a benefit within the Open Fund which will become payable on their retirement date or death. The Open Fund has seen a small reduction in its number of preserved pensioners over the past year.

Chart 3 - Deferred Open Fund - DB Section



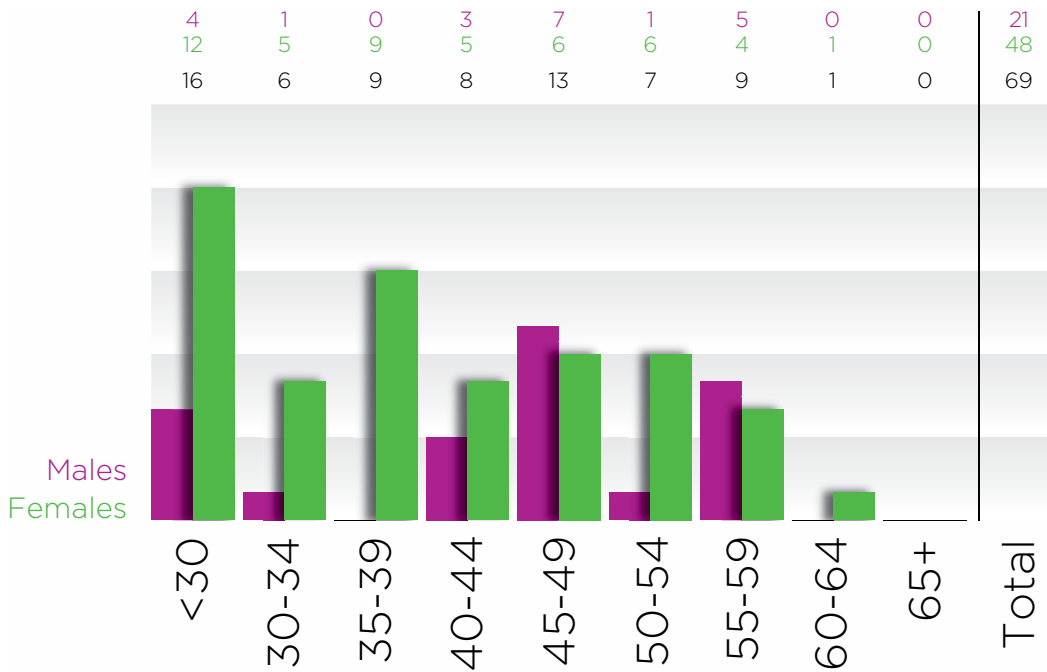
The age structure of the deferred members at 31 March 2013 was as follows:



Active Members - DC Section

Subsequent to the introduction of the Defined Contribution (DC) Section of the Scheme with effect from 1 April 2012 most of Participating Employers introduced the DC Section to their new eligible employees who commenced employment during the year. The following chart records active membership of the DC Section as at the year ended 31 March 2013.

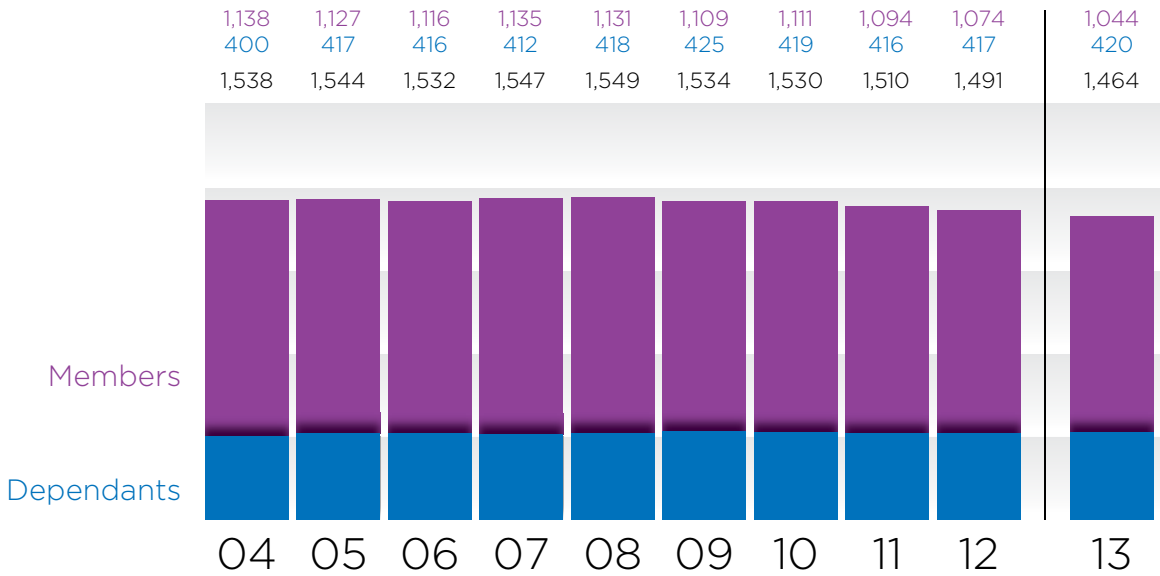
Chart 4 - Active Members - DC Section



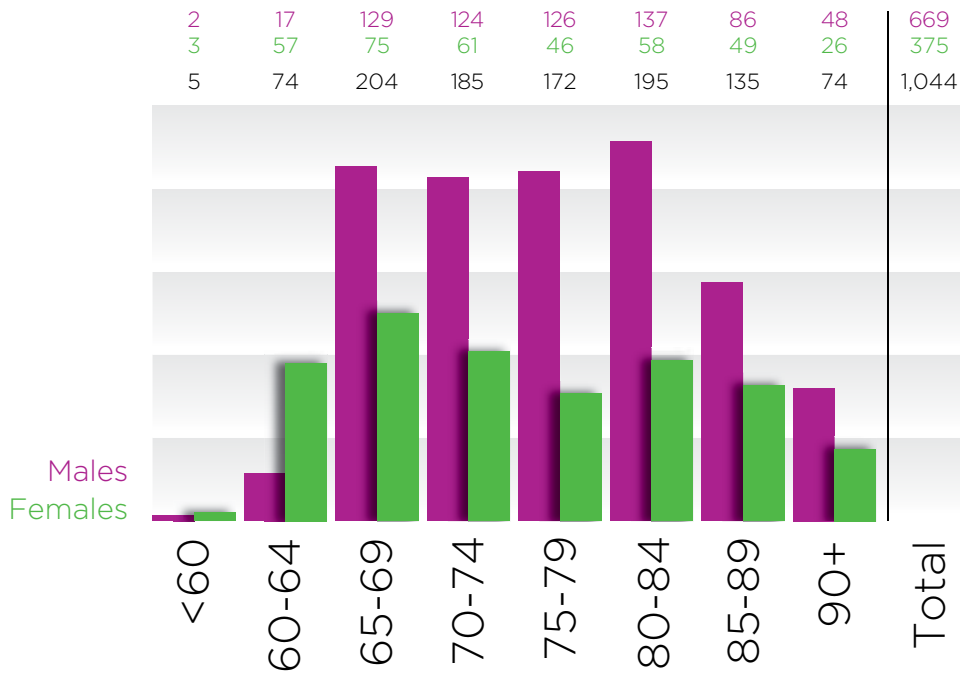
Pensioners - Closed Fund - DB Section

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. The Closed Fund membership has remained fairly static.

Chart 5 - Pensioners Closed Fund - DB Section



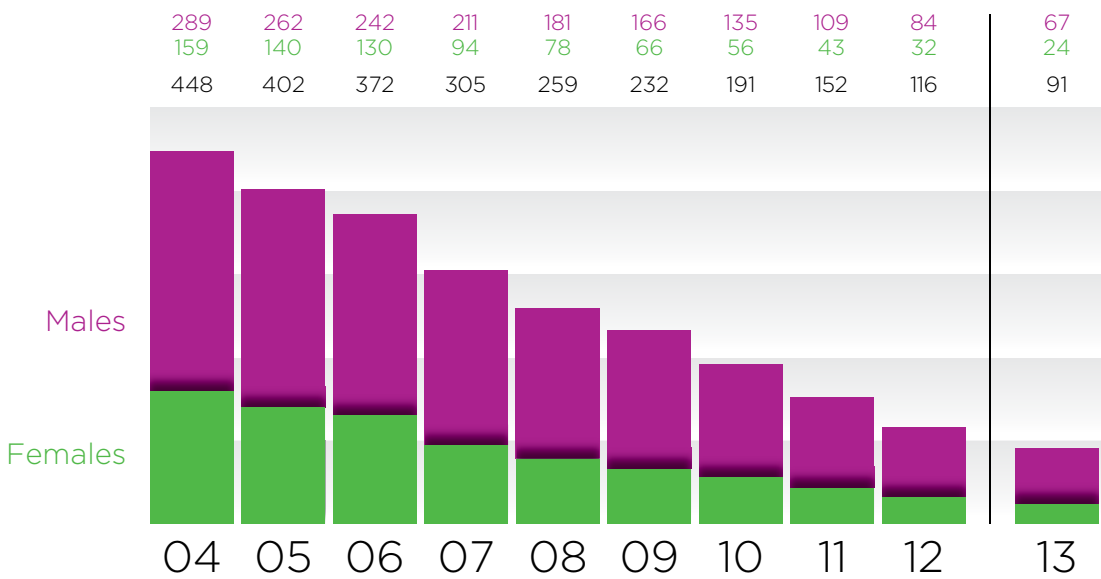
The age structure of pensioners in the Closed Fund as at 31 March 2013 is shown below:



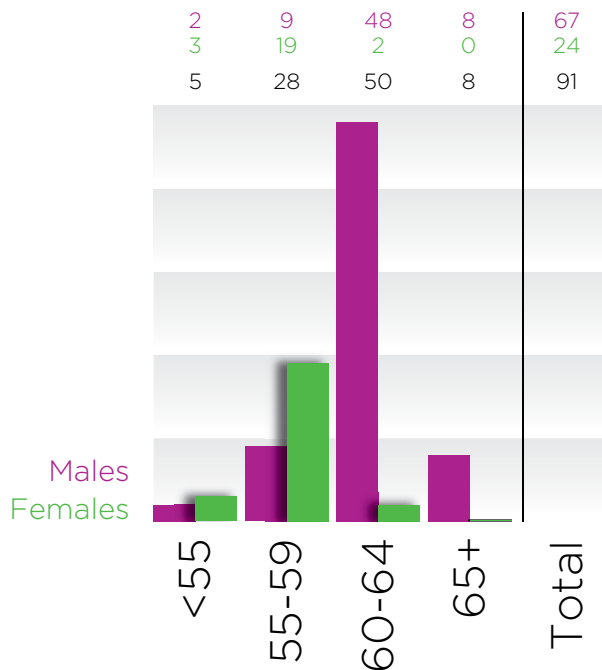
Deferred Members - Closed Fund DB Section

The number of preserved pensioners in the Closed Fund as at 31 March 2012 is shown below. Preserved pensioners (also sometimes referred to as deferred pensioners) are members who have left service, but still hold a benefit within the Closed Fund which will become payable on their retirement or death. The number of preserved pensioners in the Closed Fund will continue to decline as their pensions come into payment.

Chart 6 - Deferred Members - Closed Fund DB Section



The age structure of preserved pensioners in the Closed Fund as at 31 March 2012 is as follows:



Increases in Pensions

Open Fund (Old Section) and Closed Fund

The Rules require pensions to be increased as if they were 'official pensions' to which the Pensions (Increase) Act 1971 applied (since incorporated into s59 Social Security Pensions Act 1975).

The increases are made in accordance with up-rating orders issued by the Government each year, stating the percentage rate of increase for that year, based on the rise in the "general level of prices". The legislation leaves it to the Secretary of State to decide what the appropriate inflation measure is for this purpose from time to time.

The level of increase is currently determined by reference to the annual rise in the CPI at the end of September each year, with any increase being applied from the first Monday following the beginning of the new tax year.

This year the increase is 2.2% and is payable from 8 April 2013.

Open Fund New and 2007 Sections

Under the Rules of the Open Fund, New and 2007 Sections pensions are increased in line with the annual increase in the Retail Price Index (RPI, for the year to September 2012 was 2.6%), subject to a maximum increase cap as described for the New and 2007 Sections in the table below. Increases commence on the first Monday after 6 April each year.

10 year pension increase history

Date of Increase	Increase %
12 April 2004	2.8
11 April 2005	3.1
10 April 2006	2.7
9 April 2007	3.6
7 April 2008	3.9
6 April 2009	5.0
12 April 2010	0.0
11 April 2011	3.1
9 April 2012	5.2
8 April 2013	2.2

Pensions in Payment – Increase Methods (All ITB Schemes):

	Closed Fund & Open Fund (Old Section)	Open Fund (New Section) & Open Fund (2007 Section)	The State
Before State Pension Age the Scheme increases total pension by:	In line with annual up-rating orders issued by the government	*RPI subject to a maximum in one year of: 5% for pensions accrued prior to 6 April 2005 and 2.5% for pensions accrued thereafter.	Nil
After State Pension Age the Scheme increases Excess over **GMP by:	In line with annual up-rating orders issued by the government	*RPI subject to a maximum in any one year of: 5% for pensions accrued prior to 6 April 2005 and 2.5% for pensions accrued thereafter.	Nil
The **GMP is increased as follows:			
6 April 1978 to 5 April 1988 by:	Nil	Nil	In line with annual up-rating orders issued by the government
6 April 1988 to 5 April 1997 by:	Lesser of 3% and the annual up-rating orders issued by the government	Lesser of 3% and the annual up-rating orders issued by the government	Excess of the annual up-rating orders issued by the government

*RPI = Retail Price Index **GMP = Guaranteed Minimum Pension

Preserved Pensions – Increase Methods (All ITB Scheme Sections)

The methods by which any annual increases to preserved pensions currently apply are shown below in the following table:

	Closed Fund & Open Fund (Old Section)	Open Fund (New Section) & Open Fund (2007 Section)
Pensions accrued before 6 April 2009:	In line with annual up-rating orders issued by the government	Increased in line with the lower of the accumulated rise in the RPI and 5% pa compound
Pensions accrued on or after 6 April 2009:	In line with annual up-rating orders issued by the government	Increased in line with the lower of the accumulated rise in the RPI and 2.5% pa compound

Contracting-out

From 6 April 1978 all members of the ITB Pension Funds were contracted-out of the Second Tier of the State Pension, known as the State Second Pension (S2P formerly called SERPS).

A requirement of contracting-out was that an occupational pension scheme 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 known as a Guaranteed Minimum Pension (GMP). GMPs do not accrue for post 5 April 1997 pensionable service, but members remain contracted-out and still receive benefits broadly equivalent to the S2P pension based on the benefits set out under the statutory standard Reference Scheme (The Reference Scheme Test).

On attaining State Pension Age, members are advised by the Department of Work and Pensions (DWP) of the amount of the GMP that 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 members' basic State Pensions. Spouses' GMPs are inflation protected by the State, irrespective of age.

The Government has set out changes to the State Pension with the introduction of a flat-rate pension to take effect from 6 April 2016, when contracting-out is also to be abolished. The new pension will apply to people who reach State Pension Age after the changes are introduced, so will not affect people who are already pensioners.

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 12 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 the 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 to an insurance pension policy, at any time thereafter, subject to the transfer being completed no 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 as 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 Open Fund DB Section because of concerns about the exposure to additional liabilities*.

Legislation requires cash equivalent transfer values to be at least equivalent to the value of the benefits given up while Scheme funding levels allow this.

The Trustees, along with the Funds' Actuary, continue to ensure that transfer values remain consistent with legislative requirements and reflect the expected cost to the Scheme of providing the benefits being valued.

** As there are not the same concerns with exposure to additional liabilities as there are with the DB Section, the Members of the DC Section may apply to the Trustees for them to accept their transfer values from other similarly approved schemes.*

Actuarial Certificates

Closed Fund

Schedule of Contributions

Effective date of actuarial valuation: **31 March 2012**

Period covered by this schedule: **1 April 2012 to 31 March 2018**

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

For each month after 1 April 2012, the following contributions will be paid:

By the Employers: **Nil**

There are no active members and so no member contributions will be paid.

No contributions are required from the Employers in respect of administration expenses or the PPF levy.

This schedule may be revised from time to time where the revisions are agreed between the Trustees and the Employers, for example at a subsequent actuarial valuation.

Actuary's Certification of Schedule of Contributions

Name of Scheme:

The ITB Pension Funds – The Closed Fund

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 March 2012 to continue to be met for the period for which the schedule is to be in force.
2. I also certify that any rates of contributions forming part of this schedule which the scheme requires me to determine 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

3. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 16 November 2012.

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.

Trevor Llanwarne (Fellow of the Institute and Faculty of Actuaries)
Government Actuary's Department
Finlaison House
15-17 Furnival Street
London EC4A 1AB
29 January 2013

Open Fund

Actuarial Certificate - Schedule of Contributions

Name of Scheme:

The ITB Pension Funds - The Open Fund

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions referred to in this schedule of contributions are such that the statutory funding objective could have been expected on 31 March 2010 to be met by the end of the period specified in the recovery plan dated 7 October 2011 (revised for Skills for Logistics on 11 January 2012).
2. I also certify that any rates of contributions referred to in this schedule which the scheme requires me to determine 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

3. I hereby certify that, in my opinion, this schedule of contributions is consistent with the statement of funding principles dated 8 October 2010*.

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.

Trevor Llanwarne FIA
Government Actuary's Department
Finlaison House
15-17 Furnival Street
London EC4A 1AB
26 June 2012

The Schedule of Contributions referred to in this certificate is that dated 7 October 2011 for all employers apart from Skills for Logistics, the revised Schedule of Contributions dated 11 January 2012 in respect of Skills for Logistics and the DC section supplement signed by the Trustees on 21 June 2012.

*In coming to this view, account was taken of the Assumptions section in the schedule of contributions. Note that, as decided by the Trustees at their meeting on 8 October 2010 and agreed with the employers, the discount rate used to calculate future service standard contribution rates is higher than that used for the calculation of the technical provisions.

Summary Funding Statements

The ITB Pension Funds (Open Fund DB Sections): Summary Funding Statement for period ending 31 March 2012.

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 latest annual actuarial report, which sets out how the Scheme's funding position has changed since the last full actuarial valuation. It is essentially a snapshot of the financial position of the Scheme that is based on the actuarial values of the Fund's assets and liabilities as at the date of the report.

The last ongoing funding valuation:

The most recent funding valuation of the Open Fund showed that on 31 March 2010 the funding position was as follows:

Assets	£620.2 million
Liabilities	£671.5 million
Funding level	92%

The estimated amount as at 31 March 2010 needed to ensure that all members' benefits could have been paid in full if the Scheme had started winding up (full solvency) was £874.9 million. Therefore, the Scheme was 71% funded on a full solvency basis as at 31 March 2010. Inclusion of this information is a standard requirement and is not related to any consideration of the Trustees to wind up the scheme.

Change in funding position:

The Scheme Actuary carried out an interim review of the Open Fund as at 31 March 2012. The purpose of that review was to assess how the Scheme's funding position has changed over the previous year.

This interim review showed that the funding level decreased from 98% to 92% between 31 March 2011 and 31 March 2012. Although the assets performed better than expected and Participating Employers continued to make deficit payments to the Scheme, the decrease in funding level was primarily due to an increase in the value placed on the liabilities due to changes in market conditions.

Actions to return the Scheme to full funding:

The Participating Employers have agreed to pay additional contributions to the Scheme to restore the Scheme to full funding. Additional contributions will be paid for between 7 and 10 years from January 2011. Where such contributions extend beyond 7 years, Employers have agreed to provide additional security to the Scheme.

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 its 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, the success of the Scheme 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
- 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 targets as follows:

Global equities	28%
Bonds/LDI mandate	30%
Alternative Investments	26%
Property	13%
Cash	3%

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).

- Members of the Scheme can also use the Funds' secure modelling website 'MyITB' (www.itb-online.co.uk) to estimate their own benefits.
- Additional documents available on request or in some cases on the Funds' website www.itb-online.co.uk
- The Statement of Investment Principles: This explains how the Trustees invest the money paid into the Scheme.
- The Schedule of Contributions: This shows how much money is being paid into the Scheme.
- The Recovery Plan: This shows the agreed actions to restore the Scheme to full funding.
- 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 2013.
- The report on the interim Actuarial Review of the Scheme as at 31 March 2012.
- The full Actuarial Valuation report follows the Actuary's check of the Scheme's situation as at 31 March 2010.

- The ITB Open Fund '2007 Section', 'New Section' and 'Old Section' Member Booklets (members should have been provided with a copy of the booklet relevant to their Scheme Section when they 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.itb-online.co.uk 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 adviser, such as an independent financial adviser, before taking any action.

The ITB Pension Funds (Closed Fund): Summary Funding Statement for period ending 31 March 2012.

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 latest actuarial valuation. It is essentially a snapshot of the financial position of the Fund that is based on the actuarial values of the Fund's assets and liabilities as at the date of the valuation.

The last ongoing funding valuation

The most recent funding valuation of the Closed Fund showed that on 31 March 2012 the funding position was as follows:

Assets	£63.0 million
Liabilities	£44.2 million
Surplus	£18.8 million

In April 2011, the Trustees insured the Scheme's benefits by investing in an insurance policy. This policy provides payments to the Scheme intended to cover benefit payments to members. The actuarial valuation of the Scheme excluded the insurance policy and the liabilities covered by it to the extent that they offset each other.

Summary Funding Statements (cont.)

As a result of the valuation surplus, no further contributions were required. The Trustees decided to use some of the surplus to increase all members' benefits in early 2013.

Had the Scheme started to wind up on 31 March 2012, the Scheme Actuary assessed that the assets would have been sufficient to meet the liabilities of the Scheme in full on a solvency basis at that date. This assessment is based on the understanding that the terms of the Trustees' insurance policy would remain appropriate in a wind up. Inclusion of this information is a standard requirement and is not related to any consideration of the Trustees to wind up the scheme.

Change in funding position

The surplus decreased from £36 million to £19 million between 31 March 2011 and 31 March 2012. The decrease in surplus reflects the purchase of the insurance policy and consequential changes to the valuation approach, as well as changes in the value of the Scheme's assets.

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 its members when they retire. There are no longer any contributing members in the Closed Fund. The majority of the Scheme's benefits are now covered by an insurance policy. This means the Scheme receives payments to cover most of the members' benefits and the Scheme only needs to ensure it has enough assets to cover the differences between the policy payments and members' benefits.

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 majority of the Scheme's assets are held in the insurance policy. The remaining funds are invested in a broad range of assets, including index-linked gilts, equities and cash.

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

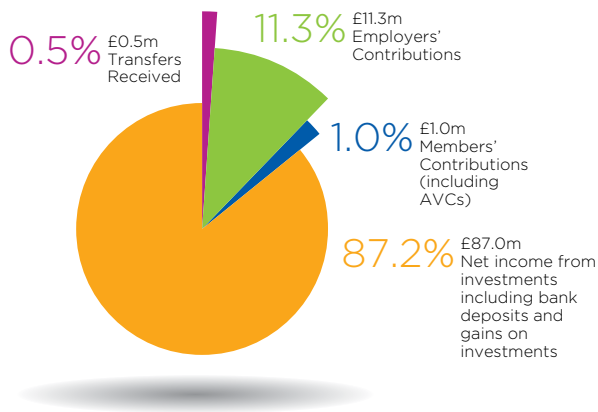
- Members of the Scheme can also use the Funds' secure modelling website 'MyITB' (www.itb-online.co.uk) to estimate their own benefits.
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- The full report on the Actuarial Valuation following the Actuary's check of the Scheme's situation as at 31 March 2012.
- 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.itb-online.co.uk to view online benefit statements and model your pension.

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

Fund Accounts

Source of Income 2012/2013

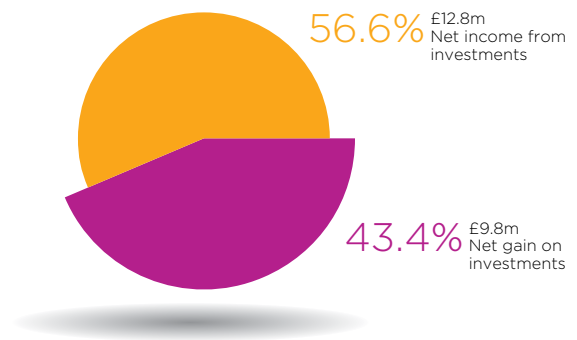
Chart 7 Open Fund (DB Section)



Open Fund

The way in which the income of the Open Fund of £99.8m was made up is shown in Chart 7. The total net investment income consists mainly of income from bonds and index linked securities, property rentals and bank interest after adding the profits on foreign exchange and deducting Investment Managers' fees. The gains on investments includes the realised profit on the sale of investments.

Chart 8 Closed Fund



Net Gain on Investments	£9.8m
Net Income from Investments	£12.8m
Total Income	£22.6m

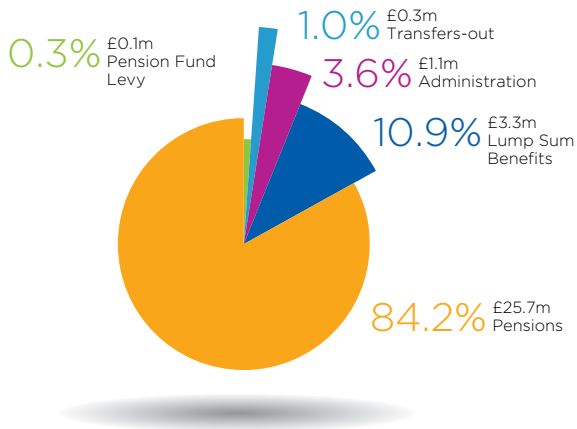
Closed Fund

The net investment income consists of income from index linked gilts, alternative investments, annuity income and bank interest. The net gain on investments includes the realised profit on the sale of investments.

Fund Accounts (cont.)

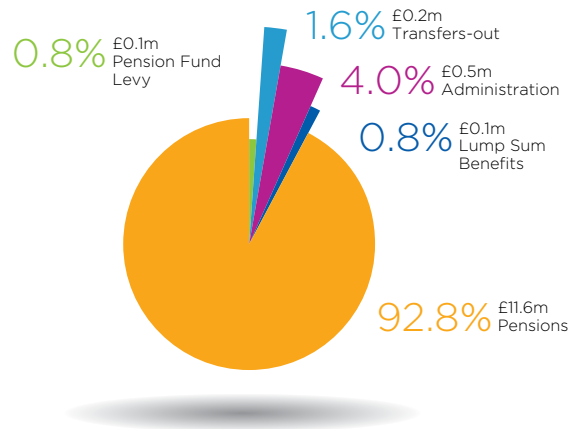
Allocation of Expenditure 2012/2013

Chart 9 Open Fund (DB Section)



The way in which the total Open Fund expenditure of £30.5m was made up is shown in Chart 9.

Chart 10 Closed Fund



The way in which the total Closed Fund expenditure of £12.5m was made up is shown in Chart 10.

Investment Report

Statement of Investment Principles (SIP)

The Pensions Act 1995, as amended, sets out certain requirements for trustees of pension schemes to prepare SIP that govern their investment decisions. While 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 the SIP. 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 regularly reviewed. The full versions of the SIPs can be viewed by accessing the ITB website on www.itb-online.co.uk, or obtained by requesting a copy from the Funds' Office.

Specialist investment managers are employed by the Trustees to manage the portfolio 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 42-46.

The recommendations of a report on institutional investment for defined benefit pension schemes – 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 mostly compliant with the Report's recommendations (with a few relevant areas where the Trustees are working towards becoming fully compliant) and have taken steps, where appropriate, to integrate the recommendations into working practices and procedures.

In April 2012 a Defined Contribution (DC) Section of the Open Fund was introduced. The Trustees were mindful of the Principles included within The Pensions Regulator (TPR) publication which concerned the governance matters TPR

recommended be considered when setting up and operating a DC pension scheme. These Principles were designed to encourage better investment governance and decision making by Trustees. They provide a framework which can be used as a practical checklist to benchmark a scheme's investment governance processes against 'best practice' agreed by stakeholder representatives within the Investment Governance Group of TPR. The Principles are a guide to best practice for Trustees but are not a legal requirement. However, as with the Myners Principles, referred to above, the Trustees consider that the Funds are currently mostly compliant with the guidance recommended by the TPR (again with a few relevant areas where the Trustees are working towards becoming fully compliant) and have also taken steps, where appropriate, to integrate the guidance into working practices and procedures.

Closed Fund

The majority of the Closed Fund's liabilities were bought-in with PIC in April 2011 and therefore, a reduced number of index linked gilts are now held within the fund. In addition to these residual index linked gilts, the Closed Fund also has a portfolio invested in a range of return seeking assets such as UK and Overseas Equities, Global Tactical Asset Allocation and Diversified Growth Fund Strategies.

Open Fund

Following a review of the investment strategy of the Open Fund in August 2011, the Trustees along with their investment advisers gave detailed consideration to a report on the asset liability study carried out by the Fund's investment advisers, Lane Clark & Peacock LLP. With the benefit of this report a new investment strategy was set with the objective of achieving the Trustees' desired long term return of 2.3% in excess of gilts, while reducing the expected level of investment risk.

The current asset allocation of the Open Fund is shown on pages 42-43.

Investment Report (cont.)

Investment Management

The Trustees employ external investment managers who have discretion to invest the assets of the Funds within the Trustees' prescribed guidelines.

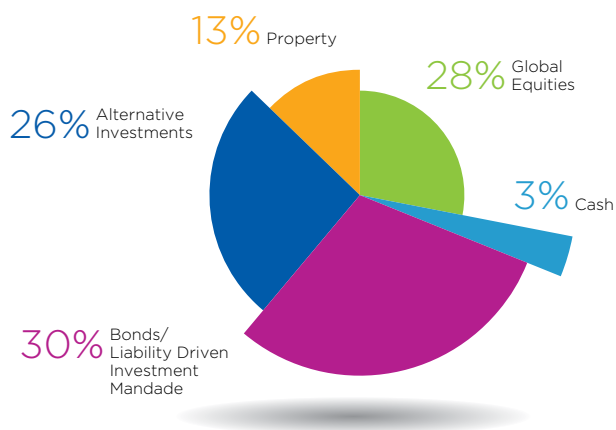
The strategy to achieve the investment objectives involves the Funds' assets being invested across a range of asset classes and geographical areas.

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, BlackRock Advisors (UK) Ltd, Universal Pension Trustees Limited, ITB Pension Trustees(1) Limited and ITB Pension Trustees(2) Limited.

Details of and the performance of the individual managers looking after Open Fund assets is shown within the Investment Performance Review on pages 44-46.

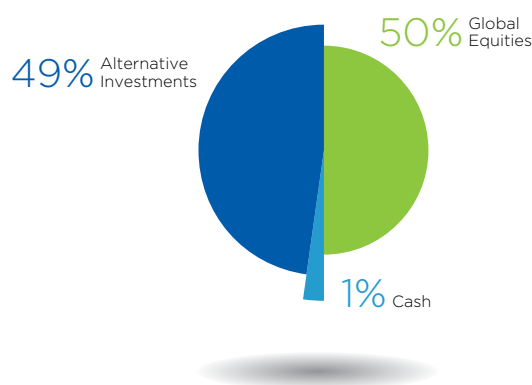
The Closed Fund's portfolio of index-linked gilts is under the control of the Trustees. The return seeking assets are managed by a number of external managers detailed on page 46.

The target asset allocation existing at 31 March 2013 for the Open Fund (DB Section) 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 target asset allocation existing at 31 March 2013 for the reserve assets of the Closed Fund not invested in index-linked gilts, is as follows:



Details of the Open and Closed Funds' total asset allocation, individual manager's allocation and mandates at the Funds' year-end, together with their investment performance for the year, are shown on pages 42-46.

Financial Review

The member payments made by the Closed Fund are financed by amounts received from PIC. The administration expenses of the fund are essentially financed by the interest received on the holding of index linked gilts.

The ongoing 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 and employers' deficit contributions, as well as from the sale of investments.

Investment Background

UK Equities

For the 12-month period as a whole, the FTSE All-Share index rose 16.8% in sterling, total return terms. UK equities performed strongly despite a domestic economic picture that remained challenging. Minutes showed that Mervyn King himself voted for more monetary stimulus to be applied to the economy at the Bank of England's latest meeting, while Deputy Governor Paul Tucker mooted the idea of setting rates at negative levels. These comments were largely a result of weak economic data, which tended to disappoint expectations. While data did show that the UK had expanded for 2012 as a whole, the economy contracted in the fourth quarter of 2012, but grew again in the first quarter of 2013. The combination of weak growth and dovish talk by policy officials resulted in a depreciation of sterling in early 2013, which provided a tailwind for UK equities given that much of their earnings are in foreign currencies.

Europe ex UK equities

For the 12-month period as a whole, the FTSE World Europe ex UK index rose 18.0% in sterling, total return terms. European markets were volatile over the period but ultimately delivered strong returns which matched those from global markets despite headlines being dominated by continued concerns over the level of sovereign debt in several southern European countries. Economic data readings in the euro region also continued to point to recessionary conditions, with growth slowing in even core countries such as Germany and France. In addition, unemployment rose to record levels for the eurozone as a whole. Equity markets performed well, however, as investors reacted positive to continued monetary support from the European Central Bank.

Global Equities

For the 12-month period as a whole, the MSCI World index rose 18.4% in sterling, total return terms. Markets were buoyed by economic data which pointed to an economic recovery in both the US and China. In the US, the recovery was being driven by the housing market in particular, with rises in both the number of new homes being built and the Case-Schiller index of average US house prices. In China, economic activity was supported by the prior year's focus on stoking growth by regional governments. In the UK, while GDP also bounced back to record growth of 0.3% in the first quarter of 2013, economic data was generally disappointing, despite stocks receiving a boost from a weak pound.

Bonds

Bond markets were driven by two themes over the second and third quarters of 2012. The first was the ongoing saga of the eurozone sovereign crisis, while the second was the materialisation of a new issue: a marked slowdown in economic activity around the world. Central banks in the US and UK paved the way for further quantitative easing and the ECB made it clear that it would support the region's troubled banks. Yields fell sharply in the core markets. In the US, the curve flattened as longer bonds outperformed, while in the UK and Germany, intermediate bonds found the most demand. In peripheral Europe, yields rose as doubts returned about growth, the financial health of sovereigns and banks, and the viability of the austerity plans.

However, with yields on core government bond markets hitting record lows as asset-purchase programmes deprived investors of safe haven bonds, investors started the search for yield and

this became a driving theme of the fourth quarter of 2012 and the first quarter of 2013. The lower-rated and less liquid parts of the fixed income market outperformed, while returns on developed market government bonds were lacklustre. A big driver of increased risk appetite was a growing consensus that the European Union's sovereign debt crisis, while far from resolved, was at least under short-term control, with concerted efforts from both the ECB and EU members to dampen market concerns about Greece and Spain. Government bond yields in the US and UK trended slightly higher, while those of the European peripheral countries, particularly Spain, fell significantly as investor confidence grew. In credit, high yield outperformed investment grade corporate bonds.

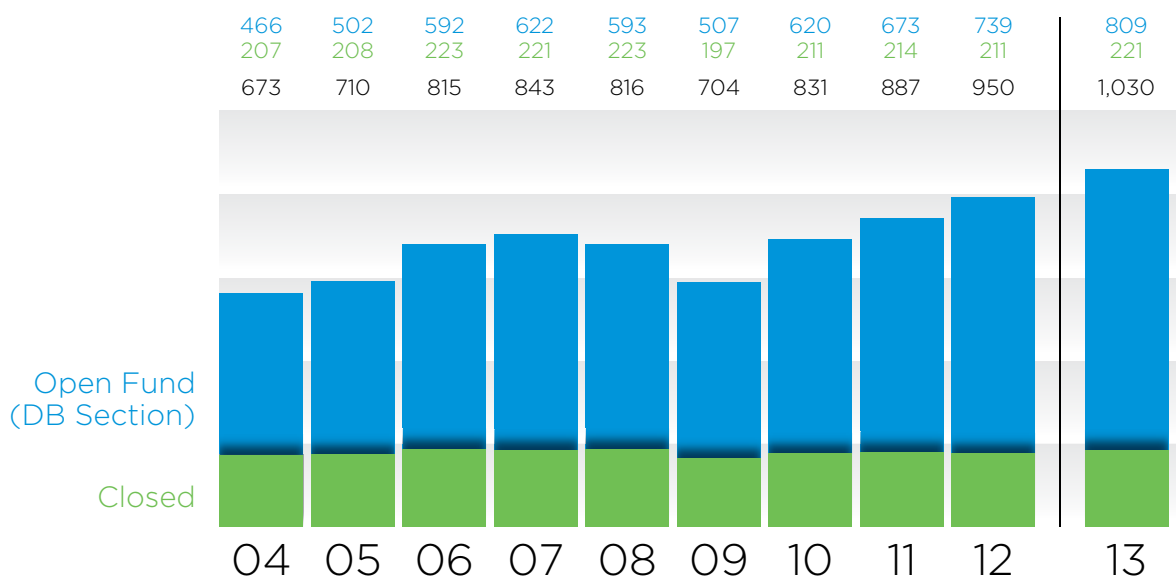
Property

For property in the UK, returns have been focused on income as capital values continued to suffer as a result of weakness on the part of both investors and occupiers. The retail occupier market was under pressure, and prime property remained better supported than secondary property, resulting in a continuing wide spread between them. In Europe, confidence remained low for retailers and consumers; overall rental growth for retail was primarily driven by the prime centres. European office and industrial rents continued to suffer limited growth. In Asia, strong growth in 2012 was followed by a general slowdown in early 2013, though strong domestic demand and economic fundamentals continued to support leasing activities in the property market.

Investment Report

The size of each Fund and the growth achieved in the past ten years is demonstrated in Chart 11.

Chart 11 Growth of Total Funds



Asset Allocation

At the end of March 2013, the Funds' investments were allocated between the following categories:

Open Fund (DB Section)	Market Value £000's	Proportion of Market Value %
UK Equities	35,021	4.4
Overseas Equities	230,276	29.1
Fixed Interest:		
UK & Overseas	71,686	9.0
Index Linked	185,254	23.4
Derivatives	21,024	2.7
Property	70,239	8.9
Alternatives (e.g. Hedge Funds)	123,849	15.6
Cash	54,981	6.9
Total	792,330	

Closed Fund	Market Value £000's	Proportion of Market Value %
Insurance Policy	153,266	69.7
UK Equities	7,394	3.3
Overseas Equities	13,361	6.0
Fixed Interest:		
Index Linked	26,829	12.1
Alternatives	18,646	8.4
Cash	1,099	0.5
Total	220,595	

The overseas equities for both Funds consists of holdings in Europe, North America, Japan, South East Asia and emerging markets. The changes in asset allocation made since 2011 are shown in Charts 12 and 13.

Chart 12
Asset Allocation - Open Fund (%)

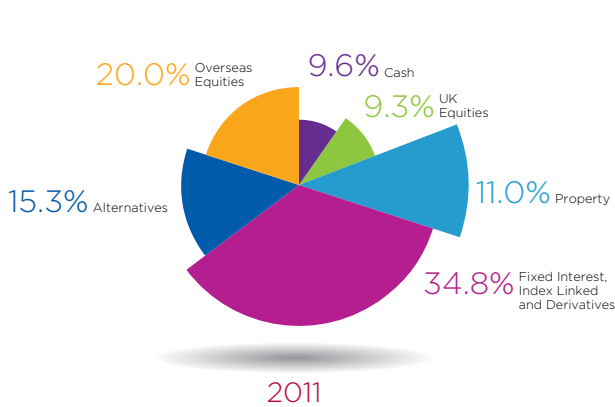
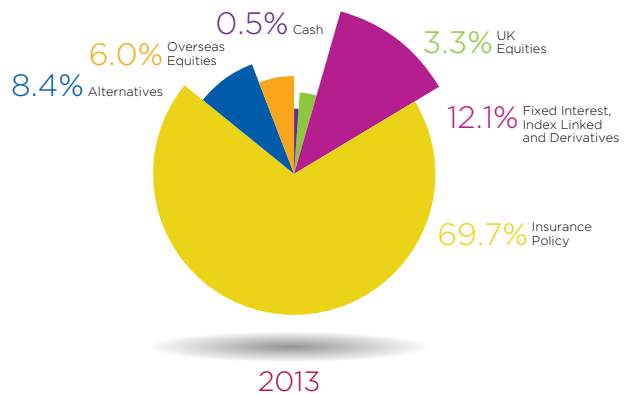
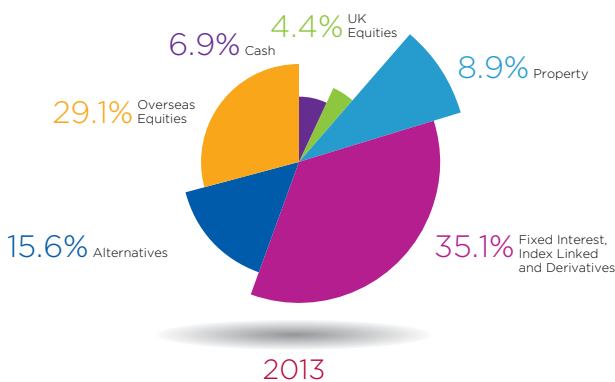
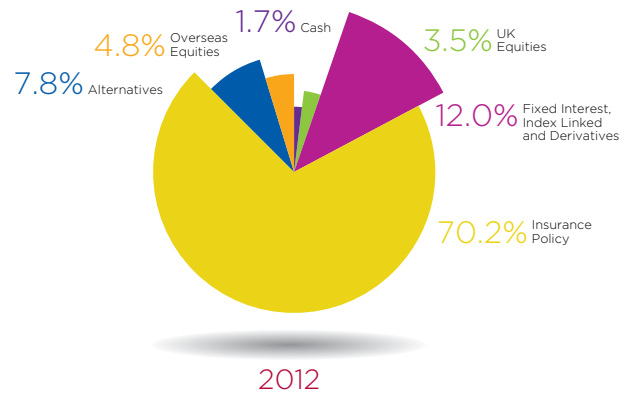
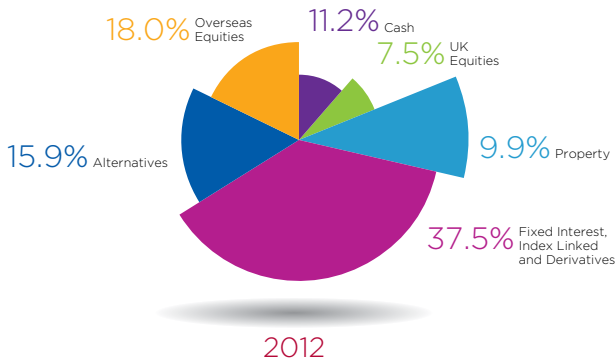
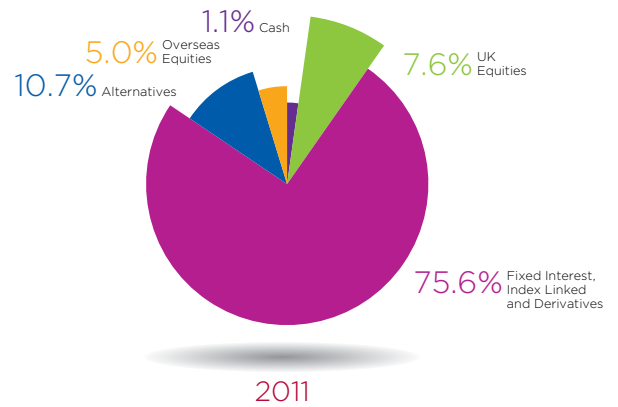


Chart 13
Asset Allocation - Closed Fund (%)



The ITB Pension Funds' assets are invested in accordance with the Occupational Pension Schemes (Investment) Regulations 1996. The Funds do not invest in any of the Participating Employers' businesses. No investment represents more than 3% of share capital of the company concerned.

Investment Performance Review

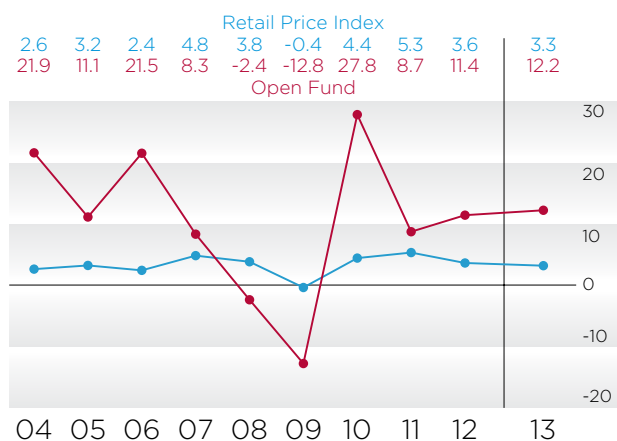
Total Fund

Historically, the investment performance of both the Closed and Open Funds was monitored by BNY Mellon Asset Servicing, an independent investment performance monitoring service. During the year an alternative provider, Lane Clark & Peacock, were appointed. For performance purposes 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 2013. In addition, Lane Clark & Peacock also provide an overview for each Fund and present calendar year-end reports at an annual Trustees' seminar while they also attend and present at quarterly Trustees Investment Committee meetings.

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.

Chart 14 Rates of Return



The relevant benchmark return for the Open Fund (DB Section) this year was 12.0%, whereas the Fund achieved a return higher than this of 12.2%.

The reserve assets of the Closed Fund achieved a return of 9.8% against the relevant benchmark of 9.4%. These Closed Fund's returns exclude the return achieved on the movement of the Pensions Insurance Corporation's insurance policy as any gains or losses made on this investment cannot be realised by the Closed Fund.

Chart 14 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 (DB Section)

All figures include cash held with the investment manager. The charts shown on page 43 have cash shown separately.

UK Equities (including index-tracking equities) (4% of total fund)

BlackRock Advisors (UK) Limited (4% of total fund)

This part of the UK equity portfolio has the objective to match the UK FTSE All Share Index. BlackRock's fees are market value based. Over the year the BlackRock portfolio matched its benchmark.

Henderson Global Investors Limited

This part of the UK equity portfolio had the objective to outperform the UK FTSE All Share Index by 0.75% pa gross of base fees. This portfolio was terminated during the year.

Insight Investment

This part of the UK equity portfolio had the objective to achieve an ongoing economic exposure broadly equivalent to the total return of the UK FTSE100 Index. This portfolio was terminated during the year.

Fixed Interest (including index-linked gilts and derivatives) (38% of total fund)

Insight Investment (30% of total fund)

The objective of the main fixed interest portfolio was to outperform a composite benchmark by 0.75% pa, net of base fees, over rolling three-year periods. The fees for this portfolio were market value-based with a performance related element. Over the year this portfolio marginally underperformed both its benchmark and objective. In March 2013 the corporate bonds in this fund were sold and the proceeds returned to the scheme. The remainder of the assets were transferred to the Insight LDI portfolio and the fund was closed.

The objective of the LDI (Liability Driven Investments) SWAP portfolio is to reduce the Scheme's exposure to interest rate and inflation risk by constructing and managing a portfolio with the objective of matching a specially calculated benchmark which is

linked to the Fund's liabilities. The fees for this portfolio are market value-based. Over the year this portfolio matched its benchmark.

**BlackRock Advisers (UK) Limited
(8% of total fund)**

Index linked gilts are held in this portfolio to support the liabilities of former participating employers'. The funds are passively managed and the fees are market value based.

Global Equities (23% of total fund)

**BlackRock Advisers (UK) Limited
(14% of total fund)**

Part of this overseas equity portfolio is managed to track index benchmarks. The fees for these funds are market value based. Over the year, these funds closely matched their benchmarks.

BlackRock also operates a currency hedging fund which is managed on a passive basis. The passive fund is operated to greatly reduce the effect of currency fluctuations within the total overseas equity portfolio. Fees for the currency fund are market value-based.

Longview Partners LP (4% of total fund)

The objective of this part of the global equity portfolio is to achieve a positive absolute return of between 8% and 10% pa after fees. The fees for this portfolio are market value-based. No performance fees are payable. Over the year, the portfolio outperformed its benchmark.

Investec Asset Management (5% of total fund)

The objective of this part of the global equity portfolio is to outperform the MSCI World Gross Total Return Index by 3% to 5% gross of fees over rolling three-year periods. The fees for this portfolio are market value-based. No performance fees are payable. Over the year, the portfolio outperformed its benchmark.

Property (9% of total fund)

Fletcher King (7% 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.

**Schroder Investment Management (UK) Limited
(2% of total fund)**

The total investment committed for this European Property Fund will be paid in increments over a period up to and including 2013. The total commitment is approximately £19 million. The objective of this fund is to achieve an absolute return of between 8% and 10% pa net of fees over the 12-year life of the fund. The fees for this portfolio are market value-based. No performance fees are payable. Over the year, the portfolio underperformed its objective.

Alternatives (23% of total fund)

**Schroder Investment Management (UK) Limited
Diversified Fund of Hedge Funds
(1% of total fund)**

The mandate of Schroders was terminated during the 2009 Scheme Year due to concerns over the performance of the fund. The investment is being liquidated over a period of time.

**BNY Mellon Asset Management
Global Tactical Asset Allocation Fund (GTAA)**

The objective of this part of the alternatives portfolio was to outperform by 20% pa the CITI Group GBP one month Euro deposit rate gross of fees over rolling three-year periods. The fees for this portfolio are market value-based with a performance-related element. This portfolio was terminated during the year.

**BlackRock Advisers (UK) Limited
(3% of total fund) Global Tactical Asset
Allocation Fund (GTAA)**

The objective of this part of the alternatives portfolio is to outperform three-month LIBOR (London Inter-bank Offer Rate) by 15% pa after fees. The fees for this portfolio are market value-based with a performance-related element. Over the year the fund underperformed its LIBOR benchmark.

**Liongate Capital Management
(2% of total fund) - Fund of Hedge Funds**

The objective of this part of the alternatives portfolio is to outperform three month LIBOR by 5% per annum after fees. The fees for this fund are market value based with a performance related element. Over the year, the portfolio underperformed both its benchmark and its objective. This portfolio was terminated in March 2013.

Investment Performance Review (cont.)

Stenham Asset Management - Fund of Hedge Funds

The objective of this part of the alternatives portfolio was to outperform three month LIBOR by 4% per annum after fees. The fees for this fund were market value based. This portfolio was terminated during the year.

Ruffer LLP (7% of total fund) - Diversified Growth Fund

Ruffer is an absolute return investment manager which aims to preserve capital and generate consistent returns and thus is necessarily unbenchmarked in order that it might preserve capital regardless of market conditions. However, the fund has an objective of outperforming three month LIBOR after fees. The fees for this fund are market value based. No performance fees are payable. Over the year, the portfolio outperformed its benchmark.

Barings Asset Management (5% of total fund) - Diversified Growth Fund

The objective of this part of the alternative portfolio is to outperform three month LIBOR by 4% pa after fees. The fees for this fund are market value based. No performance fees are payable. Over the year, the portfolio outperformed its benchmark.

Capital International (5% of total fund) - Emerging Market Multi Asset Fund

Capital were appointed in April 2012. The initial amount invested was £33.9 million. The objective of this part of the alternative portfolio is to outperform the MSCI Emerging Market Investable Market Index, with dividends reinvested, after fees. The fees for this fund are market value based. No performance fees are payable. No annual performance returns are yet available.

Cash (3% of total fund)

This part of the portfolio is under the Trustees control and is retained to pay pension benefits and other Funds' expenses and to avoid realising assets at short notice.

Managers' Mandates and Performance - Closed Fund

UK Equities (3% of total fund)

BlackRock Advisers (UK) Limited (3% of total fund)

The objective of this portfolio is to match the UK FTSE All Share Index. The fees for the fund are market value based. Over the year, the portfolio matched its benchmark.

Global Equities (6% of total fund)

BlackRock Advisers (UK) Limited (6% of total fund)

This part of the overseas equity portfolio is managed to track index benchmarks. The fees for this part of the fund are market value based. Over the year these funds closely matched their benchmarks. BlackRock also operate a passive currency fund with the objective of greatly reducing the effect of currency fluctuations within the total overseas equity portfolio. The fees for this part of the fund are market value based.

Alternatives (8% of total fund)

BlackRock Advisers (UK) Limited (2% of total fund) Global Tactical Asset Allocation Fund (GTAA)

The objective of this portfolio is to outperform three-month LIBOR by 15% pa after fees. The fees for this portfolio are market value-based with a performance related element. Over the year the fund underperformed its benchmark.

Ruffer LLP (6% of total fund) - Diversified Growth Fund

The objective of this portfolio is to outperform three month LIBOR after fees. The fees for this fund are market value based. No performance fees are payable. Over the year, the portfolio outperformed its objective.

Buy-in Insurance Policy (70% of total fund)

Pensions Insurance Corporation (70% of total fund) Insurance buy-in policy

This buy-in investment was purchased in April 2011 to finance the pension liabilities of the Closed Fund. No fees are payable on this investment and the policy cannot be redeemed or sold.

Trustees (13% of total fund)

Index-linked securities and cash which are under the control of the Trustees.

Statement of Trustees' Responsibilities

The financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice, 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 the Scheme year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and
- contain the information specified in 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'.

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 contributions received 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 also have a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

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

Summary of Contributions payable in the year

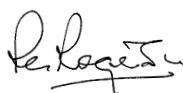
During the year, the contributions payable to the Open Fund by the Employers under the Schedule of Contributions were as follows:

	2013	2012
	£'000	£'000
<hr/>		
Contributions payable under the Schedule of Contributions		
Employers' normal contributions	6,224	4,172
Employers' deficit contributions	4,929	7,158
Employers' life assurance contributions	4	-
Members' normal contributions	1,007	2,603
<hr/>		
Total contributions payable under the Schedule	12,164	13,933
Other contributions		
Employers' augmentation costs	273	60
Employers' buy-out contributions	-	40
Employers' deficit contributions	-	8,000
Members' additional voluntary contributions	1	18
Transfers from other schemes	1	-
Transfers from money purchase AVC schemes	459	170
<hr/>		
Total payable to the Scheme	12,898	22,221
<hr/>		

The Trustees Report was approved by the Trustees on 5 July 2013.



J Swift
Trustee



P Rogerson
Trustee

Financial Statements

for the year ended 31 March 2013

Independent Auditor's Report

to the Trustees of the ITB Pension Funds

We have audited the financial statements of the ITB Pension Funds for the year ended 31 March 2013 which comprise the fund accounts, the net assets statements and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 Auditor

As explained more fully in the Statement of Trustees Responsibilities set out on page 47, the Scheme's Trustees are responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are

free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the scheme's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Trustees' Report & Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 March 2013, 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;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3 of, and the Schedule to, the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

CHANTREY VELLACOTT DFK LLP
Chartered Accountants and Statutory Auditor
LONDON

24 July 2013

Independent Auditor's Statement about Contributions

to the Trustees of the ITB Pension Funds

We have examined the summary of contributions to the ITB Pension Funds in respect of the Scheme year ended 31 March 2013 which is set out in the Trustees' Report on page 48.

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 Auditor

As explained more fully in the Statement of Trustees' Responsibilities, the Scheme's Trustees are responsible for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates and due dates of certain contributions payable towards the Scheme by or on behalf of the Employers and the active members of the Scheme. The Trustees are also responsible for keeping records in respect of contributions received in respect of active members of the Scheme and for monitoring whether contributions are made to the Scheme by the employers 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.

Scope of work on Statement about Contributions

Our examination involves obtaining evidence sufficient 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 Schedule of Contributions. This includes an 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.

Statement about contributions payable under the Schedule of Contributions

In our opinion contributions for the scheme year ended 31 March 2013 as reported in the Summary of Contributions and payable under the Schedule of Contributions have in all material respects been paid at least in accordance with the Schedule of Contributions certified by the Scheme Actuary on 13 January 2012 in respect of the DB Section and on the 26 June 2012 in respect of the DC Section Supplement.

CHANTREY VELLACOTT DFK LLP
Chartered Accountants and Statutory Auditor
LONDON

24 July 2013

Fund accounts

for the year ended 31 March 2013

	Notes	Closed Fund 2013 £'000	Open Fund DB Section 2013 £'000	DC Section 2013 £'000	Combined Fund 2013 £'000	Combined Fund 2012 £'000
Income						
From employers:						
Normal	3c	-	6,125	99	6,224	4,172
Augmentation costs	3c	-	273	-	273	60
Deficit funding	3c	-	4,929	-	4,929	15,158
Buy-out contributions	3c	-	-	-	-	40
Other contributions		-	-	4	4	-
Total employers' contributions		-	11,327	103	11,430	19,430
Members' contributions	3c, 15	-	961	47	1,008	2,621
Transfers from other schemes	3g, 5	-	459	1	460	170
		-	12,747	151	12,898	22,221
Expenditure						
Retirement and death benefits	6	11,718	28,995	-	40,713	39,525
Payments to and on account of leavers:						
Contribution refunds		-	45	2	47	49
Transfers to other schemes		169	326	1	496	581
Other payments:						
Life assurance premiums		-	-	4	4	-
Administrative expenses:						
General administration	7	436	710	-	1,146	1,144
Professional services	7	204	350	-	554	923
Pension fund levy		17	62	-	79	300
		12,544	30,488	7	43,039	42,522
Net (withdrawals)/additions from dealings with members		(12,544)	(17,741)	144	(30,141)	(20,301)
Returns on investments						
Investment income	8	12,754	11,707	-	24,461	23,673
Change in market value of investments	11	9,915	76,259	10	86,184	60,627
Investment manager fees	9	(48)	(940)	-	(988)	(1,813)
Net returns on investments		22,621	87,026	10	109,657	82,487
Net increase in the funds during the year		10,077	69,285	154	79,516	62,186
Net assets as at 31 March 2012		210,566	739,453	-	950,019	887,833
Net assets as at 31 March 2013		£220,643	£808,738	£154	£1,029,535	£950,019

The notes on pages 54 to 64 form part of these financial statements.

Net assets statements

31 March 2013

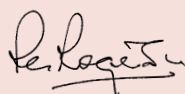
	Notes	Closed Fund 2013 £'000	Open Fund DB Section 2013 £'000	DC Section 2013 £'000	Combined Fund 2013 £'000	Combined Fund 2012 £'000
Investments						
Assets	11	220,595	865,179	142	1,085,916	1,008,896
Liabilities	11	-	(72,849)	(2)	(72,851)	(60,425)
Net investments		220,595	792,330	140	1,013,065	948,471
Fixed assets	12	-	107	-	107	124
		220,595	792,437	140	1,013,172	948,595
Current assets						
External	13	315	17,731	3	18,049	2,517
Inter-fund balance	13	-	48	11	59	55
		315	17,779	14	18,108	2,572
Current liabilities						
External	14	219	1,467	-	1,686	1,093
Inter-fund balance	14	48	11	-	59	55
		267	1,478	-	1,745	1,148
Net current assets		48	16,301	14	16,363	1,424
Net assets as at 31 March 2013		£220,643	£808,738	£154	£1,029,535	£950,019

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 Summary Funding Statements and the certificates by the Actuary and these financial statements should be read in conjunction with them.

The financial statements were approved by the Trustees on 5 July 2013.



J Swift
Trustee



P Rogerson
Trustee

The notes on pages 54 to 64 form part of these financial statements.

Notes to the Financial Statements

for the year ended 31 March 2013

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.

On 1 April 2012 the Open Fund introduced a defined contribution section.

2 Actuarial valuations

The Trustees have received and adopted the Valuation Report by the Actuary on the Closed Fund as at 31 March 2012 and on the Open Fund as at 31 March 2010. The valuation report on the Open Fund resulted in a recovery plan, which was formally implemented during the 2011/2012 scheme year.

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 substantially within the guidelines set out in the Statement of Recommended Practice (revised May 2007), Financial Reports of Pension Schemes (the "revised SORP").

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

Investments are valued at their market value determined as follows:

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

- ii) Pooled investment vehicles are stated at the bid-point of the latest prices quoted by the managers prior to the year end.
- 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 2013, 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 the year end.
- vi) Exchange traded derivatives are stated at market values determined using market quoted prices.
- vii) Over the counter derivatives are stated at market value using pricing models and relevant market data as at the year end date.
- viii) The insurance policy held by the Closed Fund has been valued on an actuarial basis.

c) Contribution income

Contributions relating to wages and salaries earned up to the year end have been included in these financial statements.

Augmentation costs represent amounts paid by employers to improve the benefits of certain members and these are due to the Open Fund from the relevant Participating Employers.

Deficit funding contributions have been paid to the scheme in accordance with an agreed Schedule of Contributions. These are recognised when received.

Employer's buy-out contributions, due under section 75 of the Pensions Act 1995 when an employer ceases to be a Participating Employer, are accounted for when received or determined by the Scheme Actuary, whichever is earliest.

d) Investment income

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

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 the year end. All differences are taken to the Fund Accounts.

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 schemes (see note 16). Amounts received into the Fund are paid out as part of a member's lump sum retirement benefit. Transfers are only taken into account where benefits are payable before the year end. Transfers from other pension funds into the Defined Benefit section of the scheme are not currently accepted. Transfers into the Defined Contribution section of the scheme are allowed.

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 the year end 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

Normal contributions receivable by the Scheme during the year, including amounts outstanding at the year end (see note 13), were paid in accordance with the Scheme Rules (and the recommendation of the Actuary).

Following the formal agreement of a revised Schedule of Contributions to deal with the deficit arising in the Open Fund valuation as at 31 March 2010, appropriate Employers continued to pay deficit repair contributions and these have been included in the financial statements on the basis of amounts received.

Notes to the Financial Statements

5 Transfers in

	2013 £'000	2012 £'000
DB Section		
Individual transfers from money purchase AVC schemes (see note 16)	459	170
DC Section		
Individual transfers from other schemes	1	-
Total	460	170

6 Retirement and death benefits

	Closed Fund 2013 £'000	Open Fund DB Section 2013 £'000	DC Section 2013 £'000	Combined Fund 2013 £'000	Combined Fund 2012 £'000
Retirement benefits					
Lump sums	100	3,071	-	3,171	3,420
Members' pensions	8,006	22,743	-	30,749	29,713
Total retirement benefits	8,106	25,814	-	33,920	33,133
Death benefits					
Lump sums	8	268	-	276	348
Dependants' pensions	3,604	2,913	-	6,517	6,044
Total death benefits	3,612	3,181	-	6,793	6,392
	£11,718	£28,995	£-	£40,713	£39,525
2012	£11,820	£27,705	£-		

7 Administration costs

	Closed Fund 2013 £'000	Open Fund DB Section 2013 £'000	DC Section 2013 £'000	Combined Fund 2013 £'000	Combined Fund 2012 £'000
General administration:					
Employment costs	263	431	-	694	643
Office accommodation	38	63	-	101	100
General expenses	107	170	-	277	332
Trustees' honoraria	28	46	-	74	69
	£436	£710	£-	£1,146	£1,144
2012	£434	£710	£-		
Professional services:					
Auditor's fees	18	24	-	42	43
Legal and professional services	37	94	-	131	286
Investment consultancy	26	111	-	137	223
Actuarial services	117	76	-	193	283
Other	6	45	-	51	88
	£204	£350	£-	£554	£923
2012	£272	£651	£-		

8 Investment income

	Closed Fund 2013 £'000	Open Fund DB Section 2013 £'000	DC Section 2013 £'000	Combined Fund 2013 £'000	Combined Fund 2012 £'000
Income from fixed interest securities	-	5,144	-	5,144	3,256
Income from index linked securities	491	1,095	-	1,586	1,862
Income from pooled investment vehicles	364	2,273	-	2,637	2,840
Net rents from properties	-	2,814	-	2,814	3,194
Interest on cash deposits	10	230	-	240	618
Income from derivatives	-	151	-	151	870
Annuity income	11,889	-	-	11,889	11,033
	£12,754	£11,707	£-	£24,461	£23,673
2012	£11,892	£11,781	£-		

Notes to the Financial Statements

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 the following managers: BlackRock Advisors (UK) Limited, Henderson Global Investors Limited, Schroder Investment Management Limited, Insight Investment, Baring Asset Management, Longview Partners LP, Investec Asset Management, BNY Mellon Asset Management, Liongate Capital Management, Stenham Asset Management, Ruffer LLP and Capital International Limited all of which are registered in the UK.

The remuneration of these managers is calculated as a variable percentage of the market value of the assets under management. Performance fees are payable to certain managers if pre-determined performance targets are met. 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 Taxation

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

11 Investments

	Closed Fund valuation 2013 £'000	Open Fund DB Section valuation 2013 £ '000	DC Section valuation 2013 £'000	Combined Fund valuation 2013 £'000	Combined Fund valuation 2012 £'000
Fixed interest securities					
Public sector	-	71,686	-	71,686	5,422
Other	-	-	-	-	54,321
Index-linked securities					
Public sector	26,829	115,617	-	142,446	153,506
UK other	-	7,577	-	7,577	9,315
Pooled investment vehicles					
Index linked	-	62,060	8	62,068	55,681
UK equities	7,394	35,021	-	42,415	62,522
Overseas equities	13,361	230,276	69	243,706	142,813
Diversified	18,646	123,849	65	142,560	133,469
Commercial property	-	18,292	-	18,292	17,935
Derivative assets	-	93,513	-	93,513	80,915
Commercial property					
Freehold	-	36,284	-	36,284	43,531
Long leasehold	-	15,663	-	15,663	11,430
Insurance policy	153,266	-	-	153,266	147,600
Bank deposits & loan notes	972	39,051	-	40,023	84,602
Other investment assets	127	16,290	-	16,417	5,834
Investment assets	220,595	865,179	142	1,085,916	1,008,896
Derivative liabilities	-	(72,489)	-	(72,489)	(58,060)
Other investment liabilities	-	(360)	(2)	(362)	(2,365)
Net investments at 31 March 2013	£220,595	£792,330	£140	£1,013,065	£948,471
31 March 2012:					
Investment assets	210,424	798,472	-	1,008,896	
Investment liabilities	-	60,425	-	60,425	
Net investments at 31 March 2012	£210,424	£738,047	£-	£948,471	

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

The insurance policy is a bulk annuity policy (also known as a “buy-in”) with Pensions Insurance Corporation (“PIC”) to secure the benefits of Closed Fund members. As the policy is written in the name of the Trustees and does not fully discharge their liabilities to those members the policy has been included in the Net Assets Statement at a value provided by PIC valued on an actuarial basis. The year end value represents 70% of the value of the Closed Fund and 16% of the total combined assets of the Funds.

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

Notes to the Financial Statements

11 Investments (cont'd)

The movements in investments during the year were:

	Closed Fund 2013	Open Fund DB Section 2013	DC Section 2013	Combined Fund 2013	Combined Fund 2012
	£'000	£ '000	£'000	£'000	£'000
Market value at 1 April 2012	210,424	738,047	-	948,471	882,773
Purchases at cost and derivative payments:					
Fixed interest	-	98,583	-	98,583	
Index linked	1,292	105,251	-	106,543	
Pooled investment vehicles	2,116	131,000	138	133,254	
Derivatives	-	407	-	407	
Insurance policy	2,500	-	-	2,500	
Bank deposits and loan notes	-	416	-	416	
Other assets	-	10,598	-	10,598	
Other liabilities	-	2,005	-	2,005	
	5,908	348,260	138	354,306	419,685
Sales proceeds and derivative receipts:					
Fixed interest	-	(103,690)	-	(103,690)	
Index linked	(1,200)	(130,433)	-	(131,633)	
Pooled investment vehicles	(1,845)	(70,002)	(6)	(71,853)	
Derivatives	-	(23,839)	-	(23,839)	
Property	-	(1,364)	-	(1,364)	
Bank deposits and loan notes	(2,592)	(40,908)	-	(43,500)	
Other assets	(15)	-	-	(15)	
Other liabilities	-	-	(2)	(2)	
	(5,652)	(370,236)	(8)	(375,896)	(414,614)
Change in market value of investments	9,915	76,259	10	86,184	60,627
Market value at 31 March 2013	£220,595	£792,330	£140	£1,013,065	£948,471

There are no transaction costs included within the above purchases and sales figures. Costs are borne by the Scheme in relation to transactions in pooled investment vehicles. However, such costs are taken into account in calculating the bid/offer spread of these investments and are not therefore separately identifiable.

The ITB Pension Funds' assets are invested in accordance with the Occupational Pension Schemes (Investment) Regulation 1996 and the Statements of Investment Principles adopted by the Trustees for both Funds. 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.

11 Other investment balances

	Closed Fund 2013	Open Fund DB Section 2013	Open Fund DC Section 2013	Combined Fund 2013	Combined Fund 2012
	£'000	£ '000	£'000	£'000	£'000
Assets:					
Amounts due from brokers	-	15,091	-	15,091	2,187
Investment revenue receivable	125	1,199	-	1,324	2,303
Income tax receivable	2	-	-	2	208
Margin debtor	-	-	-	-	1,136
	£127	£16,290	£-	£16,417	£5,834
2012	£142	£5,692	£-		
Liabilities:					
Amounts due to brokers	-	-	2	2	2,270
VAT	-	360	-	360	94
	£-	£360	£2	£362	£2,364
2012	£-	£2,364	£-		

Derivatives

The Trustees hold derivatives in accordance with the Statement of Investment Principles for the Open Fund and use them to reduce the effect on the scheme of interest rate, inflation and foreign exchange fluctuations. At 31 March 2013 the open arrangements may be summarised as follows:

a) Swaps

Type	Base	Settlement	Asset value £	Liability value £
Asset	ASSW	2020 - 2050	5,858,466	29,557,166
Interest rate	IRSW	2013 - 2062	44,229,025	35,271,640
Retail price index ("RPI")	UK RPI	2013 - 2062	26,064,940	7,602,557
Limited Price Inflation ("LPI")	UK LPI	2014 - 2058	17,301,133	-

The counterparties for all the swaps are banks. At 31 March 2013 the Funds held collateral of £19,739,570 in a mixture of cash and UK gilts.

b) Foreign exchange contracts

Settlement	Buy	Sell	Asset value £	Liability value £
April 2013	£2,469,648	€2,850,000	59,414	-
April 2013	€2,850,000	£2,410,233	-	57,852

Notes to the Financial Statements

12 Fixed assets

	Cost £'000	Depreciation £'000
Balance at 1 April 2012	788	664
Additions	39	-
Depreciation charge	-	56
Balance at 31 March 2013	827	720
Net book value: 31 March 2013	£107	
31 March 2012	£124	

13 Current assets

	Closed Fund 2013 £'000	Open Fund DB Section 2013 £'000	Open Fund DC Section 2013 £'000	Combined Fund 2013 £'000	Combined Fund 2012 £'000
Bank balances	315	16,705	-	17,020	1,455
Debtors:					
Amounts due from employers					
Employers' contributions	-	871	2	873	655
Members' contributions	-	49	1	50	207
Sundry debtors	-	106	-	106	200
External current assets	315	17,731	3	18,049	2,517
Inter-fund balance	-	48	11	59	55
Individual Funds' current assets 2013	£315	£17,779	£14	£18,108	£2,572

31 March 2012:	Closed Fund £'000	Open Fund DB Section £'000	Open Fund DC Section £'000	Combined Fund £'000
External current assets	419	2,098	-	2,517
Inter-fund balance	-	55	-	55
Individual Funds' current assets 2012	£419	£2,153	£-	£2,572

Amounts due from employers in respect of contributions, which relate to March 2013, were paid in full to the Scheme within the timescale required by the Schedule of Contributions currently in force.

14 Current liabilities

	Closed Fund 2013 £'000	Open Fund DB Section 2013 £ '000	DC Section 2013 £'000	Combined Fund 2013 £'000	Combined Fund 2012 £'000
Withdrawal benefits:					
Transfers and contribution refunds	-	7	-	7	-
Sundry creditors	219	1,460	-	1,679	1,093
External current liabilities	219	1,467	-	1,686	1,093
Inter-fund balance	48	11	-	59	55
Individual Funds' current liabilities 2013	£267	£1,478	£-	£1,745	£1,148

	Closed Fund £'000	Open Fund DB Section £ '000	DC Section £'000	Combined Fund £'000
31 March 2012:				
External current liabilities	222	871	-	1,093
Inter-fund balance	55	-	-	55
Individual Funds' current liabilities 2012	£277	£871	£-	£1,148

15 Member credited service

Additional voluntary contributions (AVCs) made during the financial year to purchase added years under the principal scheme of £1,251 (2012 - £18,039) 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

16 Money purchase schemes

Additional Voluntary Contributions (AVCs) are receivable for separate investment for the benefit of individual members. The Open Fund's AVC arrangements are operated by Scottish Life Assurance Company (SLAC) and the Prudential Assurance Company (PAC) and include 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 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 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 2013 £'000	Scottish Life 2013 £'000	Prudential 2012 £'000	Scottish Life 2012 £'000
Funds as at 1 April 2012	1,246	258	1,080	281
Members' AVC contributions	138	4	142	5
Interest credited by SLAC	-	-	-	13
Interest and bonuses credited by PAC	7	-	31	-
Change in market value of units	80	14	41	-
Transfers out (including to main Fund)	1,471 (437)	276 (23)	1,294 (48)	299 (41)
Funds at 31 March 2013	£1,034	£253	£1,246	£258

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



Supplementary Information

Internal Dispute Resolution

The Pensions Act 1995 (as amended by the Pensions Act 2004) requires that all pension schemes have a formal internal dispute resolution 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 internal dispute resolution procedure is available upon request from: The Director, The ITB Pension Funds, 23 King Street, Watford WD18 0BJ.

The Pensions Advisory Service (TPAS)

The Pensions Advisory Service (TPAS) is an independent non-profit organisation that provides free information, advice and guidance on the whole spectrum of pensions covering State, occupational, personal and stakeholder schemes.

TPAS is commonly used by members and beneficiaries to help resolve a pensions query or any difficulty which they have failed to resolve with the trustees of their pension scheme, which may be before or during an official dispute procedure.

Address: 11 Belgrave Road, London SW1V 1RB
Website: www.pensionsadvisoryservice.org.uk
Telephone: 0845 601 2923

The Pensions Ombudsman

If you are unable to resolve your dispute using the internal dispute resolution procedure, and normally only after having sought the assistance of TPAS, an application can be made to the Pensions Ombudsman for adjudication.

The Pensions Ombudsman's role and powers have been decided by Parliament, and he is appointed by the Secretary of State for Work and Pensions. He is completely independent and is available to investigate and determine any complaint or dispute of fact or law in relation to an occupational pension scheme. He does not charge for his services.

The Pensions Ombudsman's decision is final and binding on all the parties to the complaint or dispute. It can be enforced in the Courts. His decision can only be changed by appealing to the appropriate court on a point of law.

Address: 11 Belgrave Road, London SW1V 1RB
Website: www.pensions-ombudsman.org.uk

The Pensions Regulator

The Pensions Regulator is the UK regulator of work-based pension schemes. Under the Pensions Act 2004, the Pensions Regulator's objectives are to protect the benefits of members, promote good administration; and to reduce the risk of situations arising that may lead to claims for compensation from the Pension Protection Fund and to maximise employer compliance with employer duties and the employment safeguards introduced by the Pensions Act 2008. The Pensions Regulator can intervene in the running of schemes where trustees, employers or professional advisers have failed in their duties.

Address: Napier House, Trafalgar Place,
Brighton BN1 4DW

Website: www.thepensionsregulator.gov.uk

The Pension Protection Fund

The Pension Protection Fund was set up under the provisions of the Pensions Act 2004 in April 2005 and is classified as a public financial corporation. It was established to pay regular compensation to members of eligible defined benefit schemes when there has been a qualifying insolvency event in relation to the employer, and where there are insufficient assets in the pension scheme to cover Pension Protection Fund levels of compensation.

The Pension Protection Fund is also responsible for the Fraud Compensation Fund - a fund that will provide compensation to occupational pension schemes that suffer a loss that can be attributable to dishonesty.

Address: Pension Protection Fund, Knollys House, 17 Addiscombe Road, Croydon, Surrey CR0 6SR

Website: www.pensionprotectionfund.org.uk

Email: information@ppf.gsi.gov.uk

Telephone: 0845 600 2541

Pension Tracing Service

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

Address: Pension Tracing Service, The Pension Service, Tyneview Park, Whitley Road, Newcastle upon Tyne NE98 1BA

Website: www.direct.gov.uk

Telephone: 0845 6002 537

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 Pension Scheme Tax Reference No. 00329981RF).

Keeping us Informed

Please ensure that you keep the Trustees of the ITB Pension Funds advised of any change of address. You can do this by writing to the Funds' Office or using the Funds' website www.myitb.com.

ITB Pension Funds Tax Office

The Tax Office dealing with the ITB Pension Funds can be contacted via:

Address: HM Revenue & Customs, Pay As You Earn Self Assessment, PO Box 1970, Liverpool, L75 1WX

Telephone: 0845 3000 627

Open Fund Reference: 073/11012A

Closed Fund Reference: 073/11012

Contact

The ITB Pension Funds, 23 King Street, Watford, Herts, WD18 0BJ

Telephone: 01923 226 264

E-mail: pensions@itbpen.com

Website: www.itb-online.co.uk



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