



The ITB Pension Funds

YOUR SCHEME
WORKING
FOR YOUR
FUTURE

The ITB Pension Funds Trustees'
Report & Financial Statements

2015/16

Trustees' Report	
Chairman's Statement	04
Five Year Summary	09
Board of Trustees	10
Trusteeship	12
Officers and Advisers	15
Participating Employers	16
Review of Principal Activities	17
Membership	21
Increases in Pensions	28
Transfer of Benefits	30
Governance Statement	31
Actuarial Certificates	33
Summary Funding Statements	35
Fund Accounts	38
Investment Report	39
Statement of Trustees' Responsibilities	47
Summary of Contributions payable in the year	48
Financial Statements	
Independent Auditor's Report	50
Independent Auditor's Statement about Contributions	51
Fund Accounts	52
Net Assets Statements	53
Notes to the Financial Statements	54
Supplementary Information	72

Chairman's Statement

YEAR UNDER REVIEW



The year was shaped by a backdrop of a vulnerable global economy with widespread market uncertainty and historically low UK government gilt yields. This presents significant challenges

for scheme trustees and sponsoring employers because of the negative affect it has on the cost of funding UK defined benefit schemes.

As gilt yields are used as the basis for the discount rate for calculating the value of pension funds' liabilities, low gilt yields have meant high liability valuations. This impact has been felt right across the pension industry, lowering pension scheme funding levels. The ITB Pension Funds have a high degree of protection against this risk, due to a liability matching investment strategy in the Open Fund whereby, if gilt yields fall, a large proportion of the assets increases in value to match the increases in liabilities, and an investment in an insurance buy-in policy in the Closed Fund. However, unfortunately the Open Fund, along with the vast majority of UK pension funds, has not been immune to the impact of low gilt yields.

In addition to these issues, increasing life expectancy is a further challenge for DB schemes.

Open Fund

Defined Benefit (DB) Scheme

We have done much over recent years to reduce risk in the investment approach of the Open Fund DB Scheme through a well-diversified investment strategy designed to correspond more closely to the liabilities. That strategy has provided a degree of insulation from the increasing pension liabilities which predominantly have resulted from a low interest environment. Against a volatile market background, the Open Fund's investment portfolio delivered an investment return of 0.9% for the year to 31 March 2016 against a benchmark of 1.8%.

Actuarial Reviews

The DB Scheme is subject to a 3-yearly valuation, but in line with the requirements of the Pensions Act the Scheme Actuary performs an interim annual review between triennial valuations; the

purpose of which is to assess how the Scheme's funding position had changed over the period. As at the date of the last interim review of 31 March 2015 the Open Fund DB Scheme was marginally in surplus at a 101% funding level.

However, since then the yield on bonds has reduced, with the continuation of historically low long-term interest rates and CPI inflation dipping in and out of negative territory during the year.

Given that the Scheme's pension liabilities are valued using long term interest rates in an actuarial valuation, the effect of lower rates is to increase those liabilities. We, therefore, anticipate a continuing deficit when the 2016 formal actuarial valuation results become available later this year, even though our Participating Employers have been paying additional contributions to fund the deficit under the 2013 deficit recovery plan. Inevitably, new deficit recovery arrangements will need to be agreed and formally adopted with our Participating Employers.

This valuation will also take place against the background of the loss of the employers' and employees' National Insurance rebate following the introduction of the new State Pension in April 2016. This ended the ability for DB scheme members to contract-out of the earnings related tier of the State Pension. As the loss of the rebate will increase the costs of operating DB for Participating Employers they are considering how they wish to address the matter.

Further details about this subject and others matters I mention here are provided under the Principal Activities section on this Report on pages 17 to 20.

Employer Covenant

The Participating Employers' Covenant

The strength of the employer covenant is an important factor when formulating decisions about the appropriate actuarial assumptions and investment strategy for the DB Section. As it is such a fundamental element of our risk assessment process we employ independent specialists to advise on covenant strength and to report to us on each Employer's financial position and business prospects. Together we work hard to understand

the challenges faced by our Participating Employers as they shape their ability to meet their funding obligations to the Scheme.

Being mindful that pension benefits are long-term commitments and that shifting economic cycles can sometimes put strain on the Employers, we adopt a pragmatic approach to scheme funding. We work collaboratively with our advisers and Employers to agree individually tailored funding plans. In so doing we try to take into account each Employer's financial capacity, seeking to minimise any adverse impact on the sustainable growth of an Employer from recovery plans. We recognise that a sound employer covenant, with an appropriate funding plan, provides a good base for meeting the long-term pension obligations of the Scheme.

We focus more urgent attention on an Employer's performance where its prospects appear to become constrained and together with our advisers, consider how best we can support the Employer, while still protecting the interests of the beneficiaries.

Government proposals on Apprenticeships Levy

The implications of the recent Government proposals on an apprenticeship levy have been under scrutiny by the Construction Industry Training Board (CITB) and the Engineering Construction Industry Training Board (ECITB). They are currently in discussions with Government about how changes to the levy will affect their operations. CITB's covenant is key to supporting the DB Section's ongoing operation as it is by far the largest Employer participating in the ITB Funds. The organisation is currently undergoing a review of its operations which is expected to result in a reduction in headcount.

We are working collectively with our advisers and the Employers concerned, closely monitoring how they are likely to progress.

Skills for Logistics

I reported to you last year that Skills for Logistics (SfL) had ceased trading and gone into liquidation. This action triggered a Section 75 debt; essentially the amount required from the company to meet its share of the Scheme's unfunded benefit

obligations. We are working with the liquidators to attempt to recover as much as possible of the company's indebtedness to the Scheme. This event has financial issues for the remaining Employers which, as a result of SfL's failure, are required to absorb the unfunded pension liabilities attributable to SfL.

Merger of Chantrey Vellacott DFK LLP with Moore Stephens LLP

Early in the financial year we learned that the Funds' Auditor and covenant adviser Chantrey Vellacott DFK were merging with Moore Stephens, a major accounting and business advisory organisation providing audit, tax, consultancy and financial services across the globe. The combined operations now trade as Moore Stephens. However, the Chantrey Vellacott DFK covenant review business became an independent organisation, CVR Global LLP, which will continue operating with its existing team.

We considered the implications for the Funds of the merger from two positions; the provision of audit services and the provision of covenant review services. Following an evaluation of the circumstances of the merger, including industry analysis, conflict of interest issues and service and pricing levels, we decided to continue with Moore Stephens as the Funds' Auditor. Moreover, we also decided to appoint CVR Global LLP, owing to the high value we placed on the team's many years' experience and knowledge of the business circumstances of the Participating Employers.

Governance

The ITB Pension Funds' Trustee Board is committed to high standards of governance, which we view as central to delivering secure pension related benefits to members over the long-term. The Board considers all aspects of the Funds' business necessary to provide good governance, which is set out in the Governance Statement on pages 31 and 32 of this Report. I am pleased to be able to confirm that the ITB Funds essentially comply with all aspects of The Pension Regulator's current Governance Codes and Practice relating to DB and DC pension benefits.

Chairman's Statement

Further work is being undertaken to ensure we meet the standards of conduct and practice set out in the Pension Regulator's draft revised DC Code of Practice issued in November 2015.

Procedures to deal with Trustees' conflicts of interest

We have an established policy making clear that all Trustees are expected to be aware of and declare immediately any perceived or potential conflicts of interest, and that this is not just restricted to Trustees' meetings.

The Trustees' Management Panel now consider and identify possible matters of conflict and notify all Trustees, including those identified as having a potential or perceived conflict, of their findings and how it is proposed that any conflicts are managed.

As a Board we are clear that an effective conflicts of interest policy is an essential part of good governance.

Defined Contribution Section (DC)

Over recent years there has been a clear shift towards DC pensions in the UK to the extent that DC is now the most common type of pension arrangement offered to new employees. The main driver for this shift is that employers prefer DC pensions, as the contributions to these schemes can be fixed as a predictable share of payroll.

In common with this trend the number of DC members actively participating in the ITB Open Fund now represents around 40% of the total active membership. Most of the Participating Employers now only offer the DC Section to their new employees.

Against this background one of our Employers, Engineering Construction ITB (ECITB), decided they wished to consult with relevant members about amendments to their employment terms to facilitate migration to the DC Section of the Open Fund for future service. This change was introduced with effect from 6 April 2016. Currently, ECITB is seeking clarification from the Court that they have correctly interpreted the Employer Debt Regulations in relation to such a move.

Closed Fund

The results of the latest formal triennial valuation of the Closed Fund carried out as at 31 March 2015, showed the Fund to be in a healthy position, declaring a distributable surplus of £36 million. Following the buy-in with Pensions Insurance Corporation in 2011, the Trustees have adopted a policy of retaining assets to provide for the continuity of benefit payments in the event of any unexpected solvency issues with the insurer. Therefore, in line with our normal practice a prudent approach was adopted when carrying out the 2015 valuation.

Under the Scheme Rules, the Trustees are able to distribute up to one-third of the surplus without reference to the Participating Employers who participate in the ITB Funds. The Trustees decided to exercise their discretion to provide a special increase to the pensions of all Closed Fund members, who have now all been individually advised on how the distribution affects them.

In addition, following changes to legislation and consistent with the changes made to the Open Fund DB Section last year, the surviving civil partners and spouses from same-sex marriages in the Closed Fund will be eligible for the same benefits upon the death of a member as the spouses of opposite sex marriages.

Regulation and Legislation

Budget 2016

Although the 2016 Budget contained relatively little on pensions, with the benefit flexibilities of the Pensions Act 2015 now embedded in the Scheme's practice, the ongoing impact of regulatory reform in the pensions industry continues to engage our attention. A significant amount of regulatory change emanates from the work of The Pensions Regulator, via codes of practice and related guidance. Essentially, the regulatory theme is intended to help improve scheme security and protect the benefits of pension scheme members.

A more recent laudable aim of The Regulator is in warning of the dangers of pension scams in its revamped "Scorpion" campaign. The campaign has been refreshed to be clearer for savers as thousands of people continue to be scammed out of their retirement savings.

Finance Act 2015

The Finance Act included legislation relating to changes to pension input periods to bring them in line with the fiscal year and more complex changes to rules tapering annual allowances for high earners from 2016/17. The ITB Funds' Office wrote to a number of members during the year, where our records indicated that they may be affected by these changes.

SORP

Those more detailed observers may notice a slightly different format to the Trustees' Report and Accounts this year which is necessitated by a revised Statement of Recommended Practice (SORP) for Financial Reports of Pension Schemes that requires additional risk management disclosures and analysis. The modifications were made as a result of changes in the Financial Reporting Standard (FRS102), the new financial reporting standard for the UK and Republic of Ireland.

Communication

Trustees' Communications with Employers

Over the years we have engaged frequently and openly with the Open Funds' Participating Employers over various matters including the funding of the DB Section of the Scheme. This was again the case during the last Scheme year with extensive communication with the Employers on such matters as the end of contracting-out and preparations for the 2016 actuarial valuation.

We continue to strive to gain a full understanding of the difficult challenges the Employers face, given the multi-employer nature of the Scheme and the significant impact pensions developments could have on their operations. We are clear that the delivery of sustainable pension benefits is currently very dependent on our Participating Employers ability to continue to support the Scheme.

Scheme Actuary

Ken Kneller stepped down from an interim role as Scheme Actuary in March 2016 after the required formalities for Martin Clarke to become Scheme Actuary were completed. We are pleased to report

that Ken Kneller will continue to play an active role in providing actuarial services to the ITB Funds.

Mr Clarke was appointed as the Government Actuary in September 2014 and became ITB Scheme Actuary on 1 March 2016. He is a Fellow of the Institute and Faculty of Actuaries and was formerly Executive Director of Financial Risk at the Pension Protection Fund (PPF).

Trustees

The breadth of business experience, skills and diversity of thought on the Trustee Board makes a real and positive difference to our deliberations on the varied and complex issues the Trustees have to contend with.

Our emphasis on the security of members promised benefits and putting in place the governance structure to support that focus, is a key priority.

I would like to once again, thank my fellow Trustees for their invaluable counsel and commitment during the last Scheme year.

Funds' Staff

Earlier this year we bade farewell to Dave Faulkner, the Funds' Accountant, who had previously signalled his intention to retire from his role having served the Funds for fourteen years. We will miss his counsel and rigour as Funds' Accountant. He was also Secretary to the Investment Committee, and we thank him for his dedicated and successful service to Funds.

We wish him all the very best for a long and fulfilling retirement.

Mike Thorpe joined the Funds' Office as Funds' Accountant-designate in April 2016, before taking over from Dave as Funds' Accountant on 1 June 2016. I am extremely pleased to have Mike on the team and have already observed the benefits of his depth and breadth of experience, following 9 years in pension fund financial control and investment with the Co-operative Pension Scheme, and 18 years in the financial services industry.

The management and staff at the Funds' Office, headed by Chief Executive & Director Vincent Gordon, consistently strive to provide a high level of service to all the Funds' key stakeholders.

Chairman's Statement

I would like to acknowledge their hard work and, on behalf of the Board, thank them for their outstanding commitment and support.

Outlook

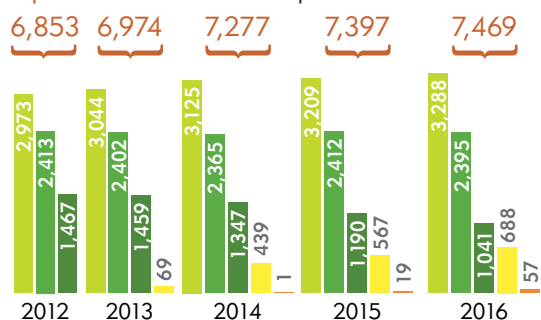
As economic and political uncertainties continue to shape markets we shall maintain our focus on operating a flexible yet diversified investment strategy. The Open Fund's strategy has a long term objective of achieving self-sufficiency; that is where the assets of the DB Section are sufficient to fund the promised benefits.

There are however other near term challenges. Perhaps the most prominent is the deficit we anticipate from the actuarial valuation as at 31 March 2016 which, when available, we shall need to address with our Participating Employers. We are mindful that the objective of restoring the Fund to full financial health is determined by being able to reduce the deficit at a sustainable pace for the Employers, as it is they who are required to pay significant additional contributions towards the funding shortfall.

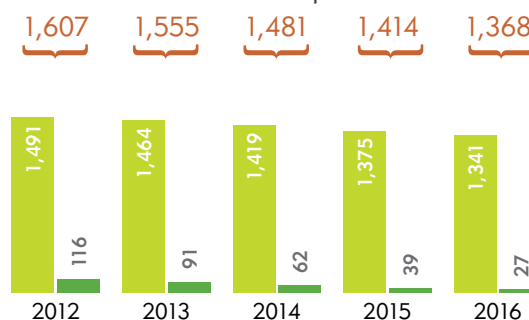


Jonathan Swift
Chairman of Trustees – 1 July 2016

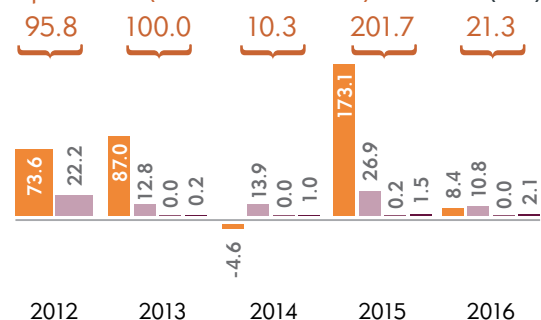
Open Fund - Membership



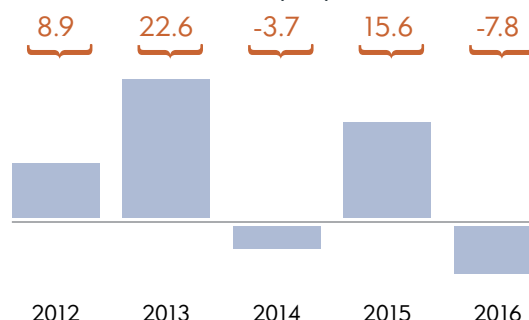
Closed Fund - Membership



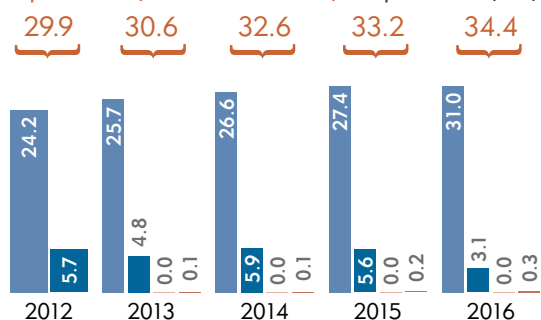
Open Fund (DB & DC Sections) - Income (£m)



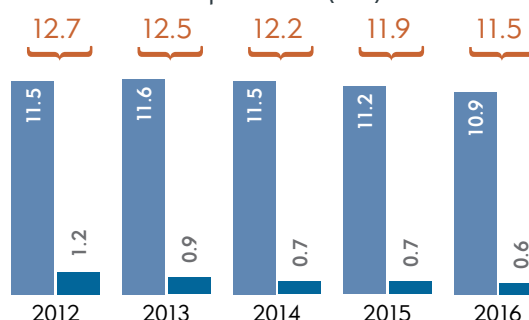
Closed Fund - Income (£m)



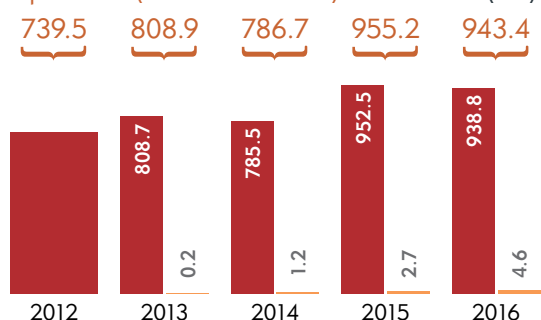
Open Fund (DB & DC Sections) - Expenditure (£m)



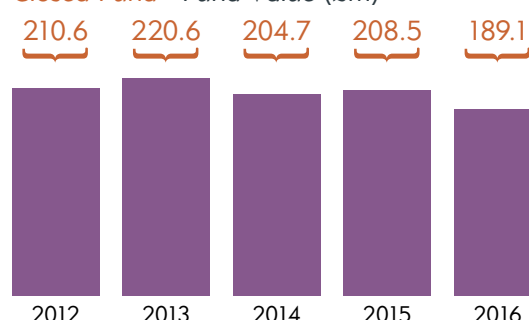
Closed Fund - Expenditure (£m)



Open Fund (DB & DC Sections) - Fund Value (£m)



Closed Fund - Fund Value (£m)



KEY:

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
1 Pensioners & Dependants	2 Preserved Pensions	3 Active (DB)	4 Active (DC)	5 Deferred (DC)	6 Investment (DB)	7 Contributions (DB)	8 Investment (DC)	9 Contributions (DC)	10 Investment Closed Fund	11 Pensions (DB)	12 Other (DB)	13 Pensions (DC)	14 Other (DC)	15 Open Fund (DB Section)	16 Open Fund (DC Section)	17 Closed Fund

Board of Trustees

Employers' Trustees

David Birtwistle



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

John Dearden



Nominated by:
CAPITB Limited
(Retired Chief Executive of
CAPITB Limited)

Terry Lazenby, MBE



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

John McDonald



Nominated by:
OPITO Limited
(Managing Director for OPITO
Limited)

Newell McGuiness



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

Tony Pringle



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

Peter Rogerson, OBE



**(Deputy Chairman-
Employers)**
Nominated by:
Construction ITB
(Retired Deputy Chairman of
Construction ITB)

Jonathan Swift



(Chairman)
Nominated by:
Lantra
(Retired Deputy Chairman of
Lantra)

Simon Tarr



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

Members' Trustees

Roisin Boyer



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

Phillip Jefferies



Nominated by:
Engineering Construction
ITB
(Regional Account Manager –
EDP and SE&E)

Martin McManus



Nominated by:
Cogent SSC Limited
(Policy & Standards Manager –
Nuclear)

Sarah Parkin



Nominated by:
Scottish Electrical
Charitable Training
Trust (SECTT),
CAPITB Limited,
OPITO Limited
(Finance/Administration Manager
for SECTT)

Jas Sall



Nominated by
the Trade Union
'Unite' for:
Science, Engineering
and Manufacturing
Technologies Alliance
(External Quality Assurer for
SEMTA)

Rob Sweeney



Nominated by
the Trade Union 'Unite'
for:
Construction ITB
(Product Developer for
Construction ITB)

Robert Tabor



Nominated by:
Lantra
(Director of Lantra Awards)

Pensioners' Trustees

Maurice Alston



Nominated by:
Closed Fund Pensioners
Previously Chemical
and Allied Products ITB
(Retired – formerly Senior
Training Adviser Chemical and
Allied Products ITB)

David Barnett



**(Deputy Chairman-
Members)**

Nominated by:
Open Fund Pensioners
Previously Road Transport
ITB

(Retired – Formerly Director
General of RTITB)

Appointment of Trustees

Normally, based on the current number of Participating Employers, the ITB Pension Funds are governed 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 entitled to be 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 each triennial 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.

The next head-count date is 31 December 2018.

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, since the termination of participation of Skills for Logistics, only one Employer falls into the smaller Employer category under the Rules. Consequently, the Employer that is able to nominate a Joint Employers' Trustee is CAPITB.

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.

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.

Charges & Governance Regulations 2015

The Charges & Governance Regulations 2015, amended the Scheme Administration Regulations to impose special governance requirements on master trusts established by insurance companies in relation to the provision of DC schemes. However, the regulations have also had a bearing on the governance arrangements of multi-employer schemes, like The ITB Pension Funds, which operate DB schemes where there is a DC arrangement in place.

In particular, the majority of Trustees and the Chair must not be affiliated with any company that provides advisory, administration, investment or other services to the relevant scheme. To comply with the regulations from July 2015 ITB Pension Funds' Employer Trustees must be seen to have been appointed by an open and transparent process (OTP). For example, the nomination of Employer Trustees going forward must be by a process involving a panel of at least three individuals, which could be from the Employer's Board and the Employer should notify connected interested parties of their choice of appointee. The Employer's choice for appointee must be formally notified to the Chairman of the ITB Pension Funds' Trustees and, once complete, the Employer should once again notify all connected interested parties. Consequently, any appointment or re-appointment of an Employer's Trustee for the Funds will be undertaken under an OTP and in due course will be formally adopted within the Funds' Trust Deed and Rules. There is no change required to the Scheme's process for nominating Member Trustees.

Moreover, all newly appointed Trustees to the Funds' Board will have a maximum tenure of 10 years.

Changes to the Trustees

Members' Trustees

Rob Sweeney, the Member Trustee for Construction ITB retired by rotation on 5 July 2015 and, after being re-nominated by the Trade Union 'Unite', was appointed to serve a further term from 6 July 2015.

Reg D'Souza, the Member Trustee for SEMTA retired by rotation on 8 October 2015 and, after being re-nominated by the Trade Union 'Unite', was appointed to serve a further term from 9 October 2015.

Subsequently, Mr D'Souza left the service of SEMTA on 31 March 2016 and Jas Sall was appointed by Unite to succeed him as Members' Trustee on 1 April 2016.

As a Large Employer determined by the active member head-count as at 31 December 2015, the active membership of Cogent SSC Ltd was eligible to nominate a Members' Trustee. Following a nomination process of Scheme members at Cogent SSC Ltd, Martin McManus was appointed as Members' Trustee on 1 July 2016.

Joint Members' Trustees

CAPITB Ltd, OPITO Ltd and SECTT were classified as Small Employers under the Rules as a result of the active membership head-count as at 31 December 2015, and the active members of those companies were able to nominate one of their number for the position of Joint Members' Trustee. The nominated candidate, Ms Sarah Parkin of SECTT, was subsequently appointed as Joint Members' Trustee with effect from 1 April 2016.

Employers' Trustees

Terry Lazenby, the Employer Trustee for Engineering Construction ITB, retired by rotation on 2 July 2015 and was reappointed to serve a further term of office from 3 July 2015.

Newell McGuinness, the Joint Employers' Trustee for SECTT, CAPITB Ltd and Skills for Logistics, retired from office after SECTT became one of the Large Employers for Trustee nomination purposes following Skills for Logistics termination of participation in the Scheme earlier in the year. Mr McGuinness was subsequently appointed as Employer Trustee for SECTT on 2 October 2015 following an OTP.

John Dearden was appointed as Employer Trustee for CAPITB Ltd on 2 October 2015 following an OTP. This became possible after Skills for Logistics participation in the Scheme was terminated with the consequence that SECTT became a Large Employer for the purposes of nominating an Employer Trustee. CAPITB then became the sole remaining Employer and therefore eligible to nominate a Joint Employers' Trustee.

David Birtwistle, the Employer Trustee for SEMTA, retired by rotation on 8 April 2016 and following an OTP was reappointed to serve a further term of office from 9 April 2016.

Gordon McNeil, the Employer Trustee for OPITO Ltd, tendered his resignation as Trustee on 19 February 2016. After OPITO had undertaken an OTP John McDonald was appointed to succeed Gordon McNeil on 1 April 2016.

Deputy Chairman

The period of office of David Barnett as Deputy Chairman (Members) ended on 29 February 2016

and, as he stood unopposed in the nomination process conducted by the Members' Trustees, the need for a ballot did not arise. He was therefore reappointed to serve a further term of office from 1 March 2016.

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, Senior Managers and staff at the Funds' Office in Watford. Upon appointment, new Trustees have personal access to 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 and the Board members 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.

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, actuarial and financial 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, financial and administration are discussed and decisions made.

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

There was overall 87% attendance at the Trustees' Board meetings during the review year.

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. It is assisted as appropriate in these roles by the Trustees' investment and other professional advisers.

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

During the Scheme year to 31 March 2016 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 T Pringle - Employer Trustee (Cogent SSC)

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 90% attendance at the Investment Committee meetings.

Independent Governance Committee

New regulations came into force on 6 April 2015 introducing more extensive quality standards to apply to operators of money-purchase schemes. As the ITB DC Section comes under this category of schemes it is required to establish and maintain an Independent Governance Committee. Fundamentally the role of the Committee is to monitor and, where necessary, raise concerns about the quality of the Scheme and its value for money on behalf of DC members.

The Committee also assesses whether the DC Section's default investment strategies are designed and carried out in members' interests and regularly review the investment strategies for performance and suitability for members, making changes as necessary. Moreover, to check that DC contributions and other financial payments are processed promptly and accurately.

Essentially the Trustees' Investment Committee already had these checks and balances in place and the business of the Independent Governance Committee forms part of the Investment Committee's agenda.

The formal members of the Independent Governance Committee are the same members as those of the Investment Committee.

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 and to make appropriate recommendations to the Trustee Board where necessary. It can also be authorised to manage activities and implement policies and decisions on behalf of the Trustees. It is assisted as required in these roles by the Trustees' professional advisers. The Management Panel meets as and when necessary.

During the year to 31 March 2016 the Management Panel comprised four Trustees after Mr McGuinness was invited to join the Committee in July 2015.

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 N McGuinness – Employer Trustee (SECTT)

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 100% 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 2016 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

Director

Vincent Gordon FPMI

Funds' Accountant

Dave Faulkner FCA (retired May 2016)
Mike Thorpe ACA (appointed June 2016)

Pensioners Administration Manager

Chris Bettles DipPMI

Advisers

Actuary

Martin Clarke FIA Government Actuary's Department
(appointed March 2016)

Ken Kneller, Government Actuary's Department
(stepped down March 2016)

Solicitors

Mayer Brown International LLP

Investment Managers

Allianz Global Investors GmbH (appointed February 2016)

BlackRock Investment Management (UK) Ltd

Capital International Portfolios

Fidelity International

GMO Funds PLC

Insight Investment Management (Global) Ltd

Investec Asset Management Ltd

Legal & General Assurance Society Ltd

(DC Section and AVCs)

Longview Partners Investments

Pension Insurance Corporation PLC

Prudential Retirement Income Ltd (AVCs)

Royal London Mutual Insurance Society Ltd (AVCs)

Ruffer LLP

Schroder Investment Management (Luxembourg) S.A.

Fletcher King

Property Investment Manager

Lane Clark & Peacock LLP

Investment Adviser and Performance Monitor

JP Morgan Chase Bank NA

Custodians

The Bank of New York Mellon (International) Ltd

Auditor

Moore Stephens LLP



Vincent Gordon
FPMI



Dave Faulkner
FCA



Chris Bettles
DipPMI



Mike Thorpe
ACA

Participating Employers

The Participating Employers comprise two Statutory Training Boards and seven 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.

On 30 September 2015 People 1st completed an agreed restructuring by winding-up its subsidiary, Hospitality Guild, and transferring the company's assets and liabilities to People 1st as the parent company. The transfer also included the contingent debt for Hospitality Guild's share of pension liabilities in the Fund.

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:

Cogent Skills Services Limited
Science Industry Assessment Service Ltd
Cogent (Telford) Limited

Construction ITB

Engineering Construction ITB

Lantra

OPITO Limited

People 1st

Participating Subsidiaries:

National Skills Academy for Retail
Skillsmart Retail UK Ltd

Science, Engineering and Manufacturing Technologies Alliance

Participating Subsidiaries:

Excellence, Achievement and Learning Limited
Metals Industry Skills and Performance Limited
Training Publications Limited
National Skills Academy for Manufacturing

Scottish Electrical Charitable Training Trust

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 triennial valuation of the Closed Fund, carried out as at 31 March 2015, were announced to Closed Fund members during the Scheme year.

The 2015 valuation was the second to have taken place since the buy-in with the insurer Pension Insurance Corporation (PIC). Following the buy-in the Trustees have adopted a policy of retaining prudent reserve assets as a safeguard against unexpected financial circumstances, in order to minimise any potential disruption to the payment of benefits to Closed Fund pensioners.

In taking a prudent approach to the valuation, the Scheme Actuary's formal valuation identified the Closed Fund to be in a sound position with a surplus of £36 million. This surplus was derived from a market value of the Fund's assets of £74 million and liabilities of £38 million, which excludes the insured liabilities secured through the buy-in with PIC.

As permitted under the Trust Deed and Rules, the Trustees may utilise up to one-third of the distributable surplus for enhancing the pension benefits of Closed Fund members, without reference to the Employers who participate in the ITB Pension Funds. Once the results of the valuation became available, and following detailed consideration, the Trustees agreed to fund increases to Closed Fund pensions, which were purchased with PIC.

The Funds' Office wrote to all Closed Fund pensioners and deferred members advising of the distribution effective on 1 February 2016 and how it would affect them individually.

Furthermore, once the results of the valuation were known, the Trustees had previously agreed to consider improvements to benefits payable upon death to same-sex spouses and civil partners, so that they were calculated on the same basis as for spouse's in opposite sex marriages. That benefit is now in place and will be provided out of the Fund and not insured with PIC.

Open Fund Actuarial Valuation – Defined Benefit Sections (DB)

The latest three yearly valuation of the Open Fund as at 31 March 2016 is currently underway and the initial results are expected to become available towards the end of the Scheme year.

The previous formal triennial valuation of the Open Fund, carried out as at 31 March 2013, identified the Fund to be in a deficit position. Consequently, a deficit recovery plan was prepared with the objective of addressing the funding shortfall.

This was successfully agreed with each of the Employers after the Trustees undertook extensive discussions with all concerned. This enabled the Scheme Actuary to produce the formal documents, a Schedule of Contributions and a Deficit Recovery Plan, which all Employers subsequently approved. These documents contain reference to the standard and ongoing member and Employer contribution requirements, along with details of each Employers deficit contributions intended to improve the Scheme's funding level.

In the periods between formal actuarial valuations, the Trustees ask the actuary to conduct regular financial assessments of the Fund. These interim assessments allow the Trustees to monitor the funding position since the previous actuarial valuation. In particular, to identify any developments since the last formal valuation which may affect the long-term position of the Fund. If serious concerns are identified by an annual assessment it is open to the Trustees to call for the next formal valuation to be brought forward.

There were no immediate concerns arising from the latest interim review carried out as at 31 March 2015, where a funding level of 101% was identified. However, it is important to place the 2015 interim result in context, as it reflected the market value of the Fund's investments which at that time recorded their highest ever level. The way that Scheme assets are required to be assessed using market values can lead to year on year volatility in the results (2014 funding level 97%). Typically, short-term market fluctuations are all part of the investment process.

Since the 2015 interim review took place, the Trustees have made changes to the Scheme's asset allocation as a result of a de-risking strategy that is intended to reduce the exposure of the Scheme to more volatile asset classes such as equities.

The actuarial assumptions used for the 2013 formal valuation will be re-evaluated for the 2016 formal valuation and that work is currently underway.

Employer Covenant

The process of reaching agreement on a future funding plan will involve the Trustees working collaboratively with their specialist advisers and the Employers in assessing each Employer's ability to continue funding the Scheme; the Employer Covenant. This will help establish the investment strategy to be adopted for the Fund and what represents a sensible period over which any deficit contributions can be paid.

Review of Principal Activities

A statutory requirement obliges the Trustees to prepare a recovery plan to deal with any ongoing deficit in the Scheme. Given the economic and investment backdrop in the period up to 31 March 2016, the valuation result is expected to show that the Fund continues to be in deficit. Deficit contributions are currently being paid over periods between one and eight years from January 2014, therefore it is not expected that they would have made up the deficit by 31 March 2016.

The Trustees are mindful that paying the extra contributions required under a deficit recovery plan can put a strain on the Employers' finances. Therefore in achieving a successful outcome to funding negotiations with Employers the aim is to achieve a balance between meeting the Scheme's funding requirements, without damaging the growth prospects of otherwise viable Employers.

Skills for Logistics

The Trustees have continued to monitor developments following the liquidation of Skills for Logistics, where the ITB Funds were by far the largest creditor. The responsibility to recover money on behalf of the creditors rests with the liquidators, who continue their work on this matter. The ITB Open Fund is expected to recover only a relatively small proportion of the debt owed to it.

ECITB litigation

A case will be heard in the High Court this year relating to the ITB Pension Funds. ECITB is sponsoring the case and will be asking the High Court to rule on two questions relating to the Open Fund.

These questions relate to the circumstances in which the law would require an Employer to make a special payment into the defined benefit part of the Fund (the "DB Part"), based on its share of the deficit in the DB Part.

The main question is whether the defined contribution section ("DC Section") and the DB Part are separate sections of a "segregated scheme" for the purpose of the legislation that governs when an Employer must make such a payment.

The second question is whether, if all ECITB's employees join the DC Section and stop accruing benefits in the DB Part, that would trigger an obligation on ECITB to make such a payment.

The Court hearing will take place at the end of July but the judgment is not likely to be issued until the autumn.

The End of Contracting-Out

Prior to the introduction of the new State Pension on 6 April 2016, a two-tier system existed of the Basic State Pension plus, since 1978, the State Earnings Related Pension (SERPS) and, since 2002, the State Second Pension (S2P).

Members can find out how to get more information about their State Pension, together with an estimate of the amount of their benefit and the earliest date it may be taken at www.gov.uk/check-state-pension.

With the introduction of the new State Pension came an end to contracting-out of S2P. To explain this further, before 6 April 2016 employers and members in DB schemes such as the ITB Open Fund DB Section, were able to contract-out of the additional state pension. In so doing, both members and employers paid reduced rates of National Insurance (NI) contributions. This was possible because part of the pension earned under a contracted-out DB scheme essentially represents an underlying minimum of what members would otherwise have earned under the state additional pension, had they not been contracted-out.

The abolition of contracting-out is significant because the active members and Participating Employers of the ITB DB Section will have to pay full-rate NI from 6 April 2016, whereas the reduced rate contracted-out NI was paid prior to 6 April 2016.

Legislation allows for employers to recover the increase in NI costs as a result of the ending of the contracting-out rebate and there is an obligation placed on employers to consult with the active members about any changes that may result. To this end the Trustees have had detailed discussions with the Scheme's Participating Employers, as there are strict requirements to be complied with. For the most part this work is currently still ongoing.

In the background, the Funds' Office has been dealing with practical considerations of the ending of contracting-out, amongst which was the updating required to administration processes and to member booklets and other information relating to the Scheme's DB Sections. Moreover, the Participating Employers have needed to remove references to contracting-out in their contracts for new employees from 6 April 2016 and to make the necessary changes to their administration and payroll practices.

Reconciliation of Guaranteed Minimum Pensions (GMPs)

Without doubt one of the biggest backroom exercises for the Fund's Office administration team is the ongoing process of Guaranteed Minimum Pension (GMP) reconciliation, which stemmed from the change to contracting-out. The GMP represents the minimum pension entitlement of members who were contracted-out of the State Earnings Related Pension Scheme (SERPS) between 6 April 1978 and 5 April 1997. The reconciliation exercise is both involved and time consuming and has involved liaising with the NI Service to the Pensions Industry to check that the

GMP details held for members are the same as those held by HMRC. Prior to 6 April 2016 member's GMPs were ratified when a member ceased employment.

Legislation and Regulatory Guidance

Lifetime Allowance (LTA) and Annual Allowance (AA)

As previously announced the LTA was reduced from £1.25 million to £1 million from April 2016.

The changes to the AA during the 2015/16 tax year and from April 2016 were far more complex as far as they apply to higher earners. In short, where generally the existing AA of £40,000 was left unscathed for most members, from 6 April 2016 higher earners will see their AA reduce by 50p for every £1 of income above £150,000 to an extent that the AA is tapered to £10,000. There were adjustments allowed during the 2015/16 tax year which split the calculation of the AA into two tax years, as the changes to the AA were announced part way through the last tax year.

As part of the changes the Pensions Input Period (PIP) for the Scheme was changed so that it is aligned with tax years, with the first commencing from 6 April 2016.

The Pensions Regulator

Meanwhile The Pensions Regulator continues to issue codes and guidance to scheme trustees and they have included this year direction on the following subjects. In brief these relate to:

Integrated Risk Management

The Trustees have been doing a lot of work with their advisers in this area, which includes the major areas of risk highlighted by The Pensions Regulator, being; scheme funding, investment and the regular monitoring and understanding of the employer covenant risk. This is particularly important as the employer covenant underpins the funding assumptions and approach to investment strategy.

Assessing and Monitoring the Employer Covenant

Related to The Pensions Regulator's code on Integrated Risk Management was practical guidance contained in the guide on Assessing and Monitoring the Employer Covenant. This sets out how to assess the employer covenant of a DB pension scheme as part of an integrated approach to managing the scheme, the ongoing importance of monitoring the covenant and in taking action to improve scheme security. As mentioned above, the Trustees and their advisers spend a great deal of time on these matters.

Revised DC Code of Practice

In November 2015, The Regulator published for consultation, a draft new Code of Practice 13: "Governance and administration of occupational defined contribution trust-based schemes". The new shorter code is supported by a series of six guides. While the Code sets out the standards that trustees

are expected to meet when complying with the law, the guides provide information on how trustees might meet those standards in practice.

The six new guides reflect the key areas of the Code: the trustee board, scheme management skills, administration, investment governance, value for members, and communicating and reporting.

The Code and guides are expected to come into force in July this year. The ITB Trustees are working with their advisers to achieve full compliance with the revised DC Code.

Financial Reports of Pension Schemes: Statement of Recommended Practice (SORP)

The 2016 Trustees Report and Accounts has been prepared in accordance with the new Statement of Recommended Practice (SORP) which has been introduced following the publication of Financial Reporting Standard (FRS) 102. In adopting the new SORP the 2016 ITB Trustees Report and Accounts will, in some areas, be in a slightly different format. In the main the new SORP introduces more comprehensive investment risk disclosures. The other requirements of the SORP are already an integral part of the reporting process.

Review of the Trustees' Sub-Committees

The Trustees have agreed that the operation and terms of reference of the sub-committees serving the Trustees should be reviewed on a regular basis; currently every three years. The terms of reference were last reviewed and approved at the 2 October 2015 Trustee Board meeting.

At their most recent review the Trustees concluded that the terms of reference for the Investment Committee and Salaries Committee remained fit for purpose, subject to a few relatively minor changes. However, the terms of reference for the Management Panel were updated to show that it monitors and maintains the Funds' agreed Conflicts Policy and monitors the financial standing of the Employers; specifically assessing information provided by the specialist advisers and then making recommendations to the Trustees on these matters.

MyITB

The Funds' interactive online pension modeller 'MyITB' was decommissioned in July 2015. For practical purposes, the software platform it ran on had become obsolete and too expensive to maintain its online security. Members were informed of the withdrawal of the facility and as a replacement, the Funds' Office Administration shall, on request, provide members with the information that they would otherwise obtain from MyITB. The Funds' information website itb-online continues to operate as normal.

Review of Principal Activities

Hospitality Guild

As part of a planned restructuring of the organisation, People 1st made a formal request to the Trustees for it, as the parent of Hospitality Guild, to take over all of the responsibility for its subsidiary's liabilities, including pension liabilities in the Fund, under a legally enforceable agreement. The Trustees subsequently granted permission for the re-structuring and transfer of assets and liabilities from Hospitality Guild to People 1st after having received confirmation from their legal, actuarial and covenant monitoring specialists that all formalities had been satisfied.

The restructuring was completed on 30 September 2015.

Development of Conflicts Policy

In conjunction with their legal advisers, the Trustees have an established policy making clear that all Trustees are expected to be aware of and declare immediately any perceived or potential conflicts of interest and that this is not just restricted to Trustees' meetings.

During the year the Trustees agreed to enhance the existing policy and procedures. The Trustees' Management Panel now consider and identify possible matters of conflict before each meeting and notify all Trustees, including those identified as having a potential or perceived conflict, of their findings and how it is proposed that any conflicts are managed.

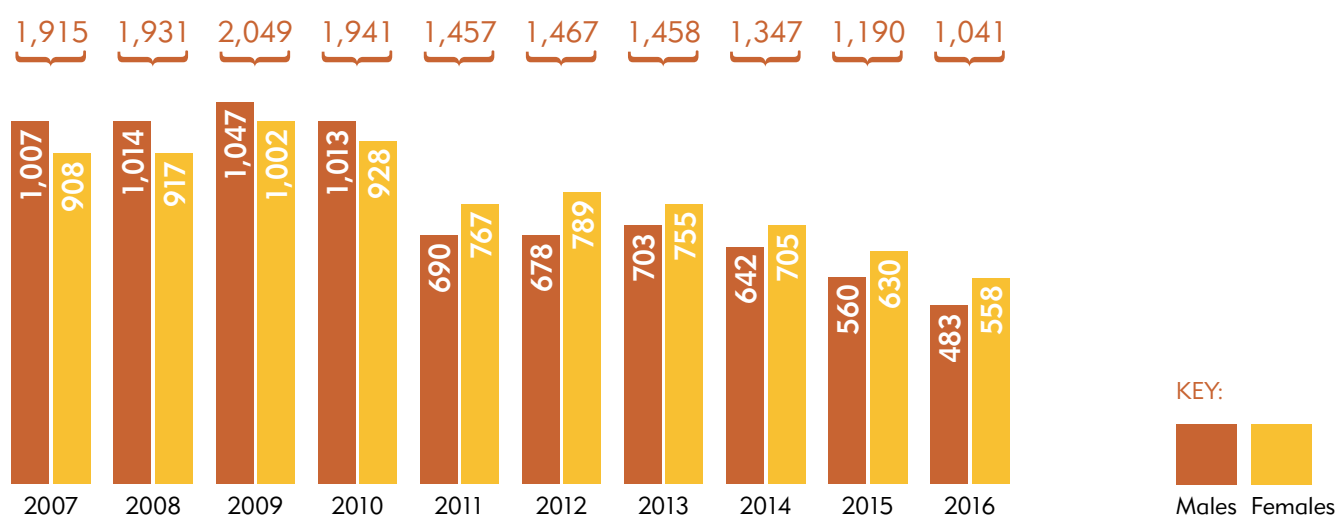
The Trustees take the view that an effective Conflicts Policy is an essential aspect of good governance.

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

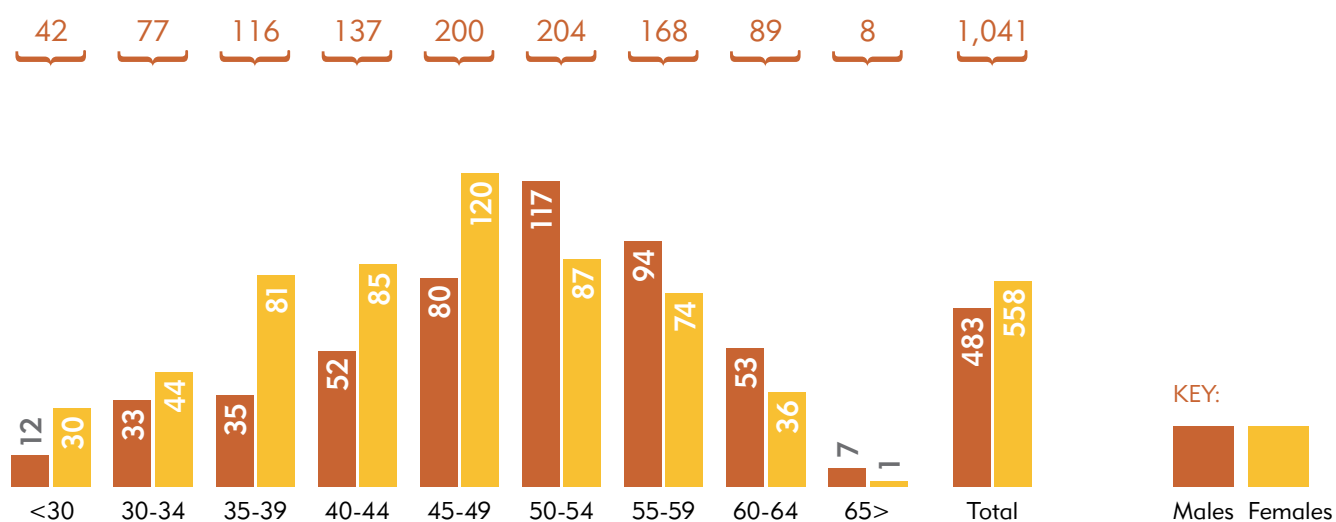
Active Members – Open Fund Defined Benefit (DB) Sections

Active DB members are either in the 'Old', 'New' or '2007' Sections of the Scheme. There was a continuing reduction in active members of the Defined Benefit (DB) Section during the year as a result of members leaving service and the majority of Employers electing to place new entrants into the Defined Contribution (DC) Section.

Chart 1: Active Members – Defined Benefit (DB) Sections



The age structure of the contributing members at 31 March 2016 was as follows:

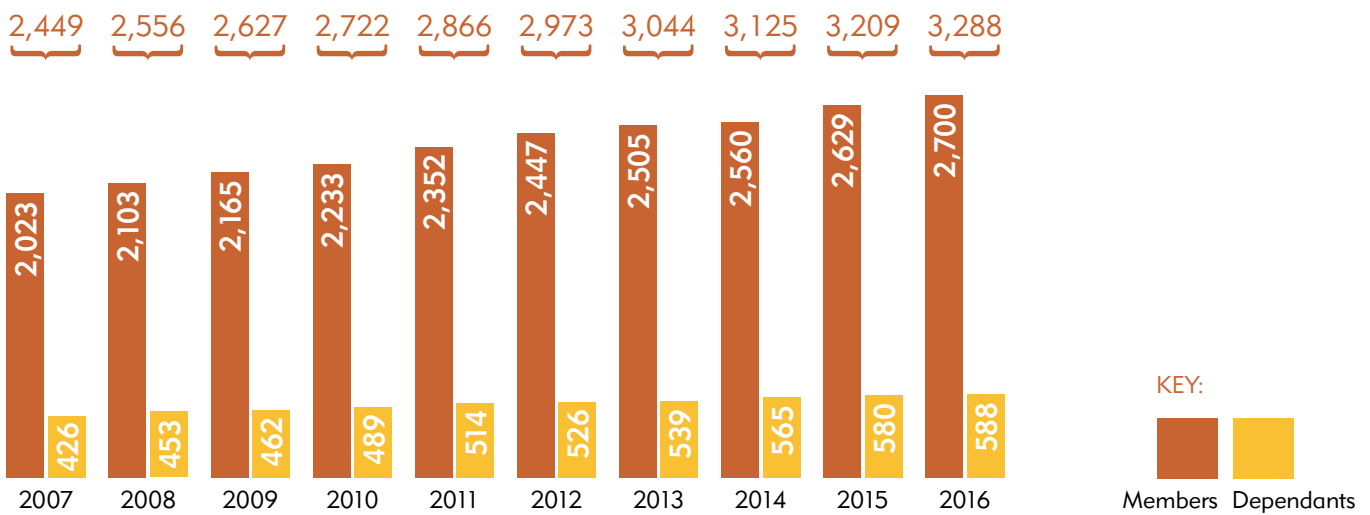


Membership

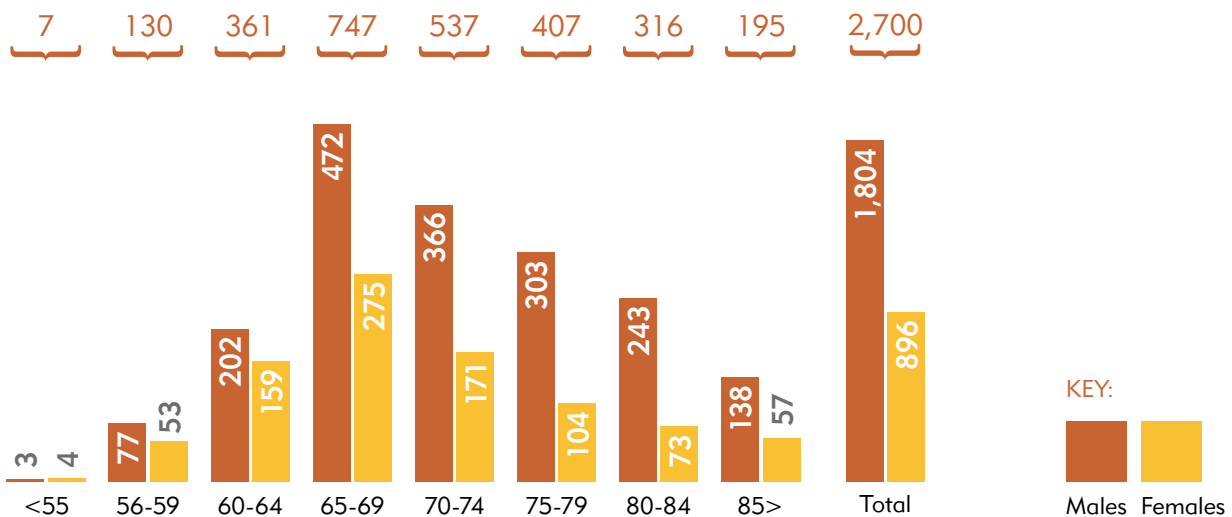
Pensioners – Open Fund (DB Sections)

Continuing the trend from previous years the Open Fund has seen a further steady increase in the number of pensioners, as commonly associated with a mature fund. Pensioners are either members or dependants and the number in each category is shown below.

Chart 2: Pensioners – Open Fund (DB Sections)



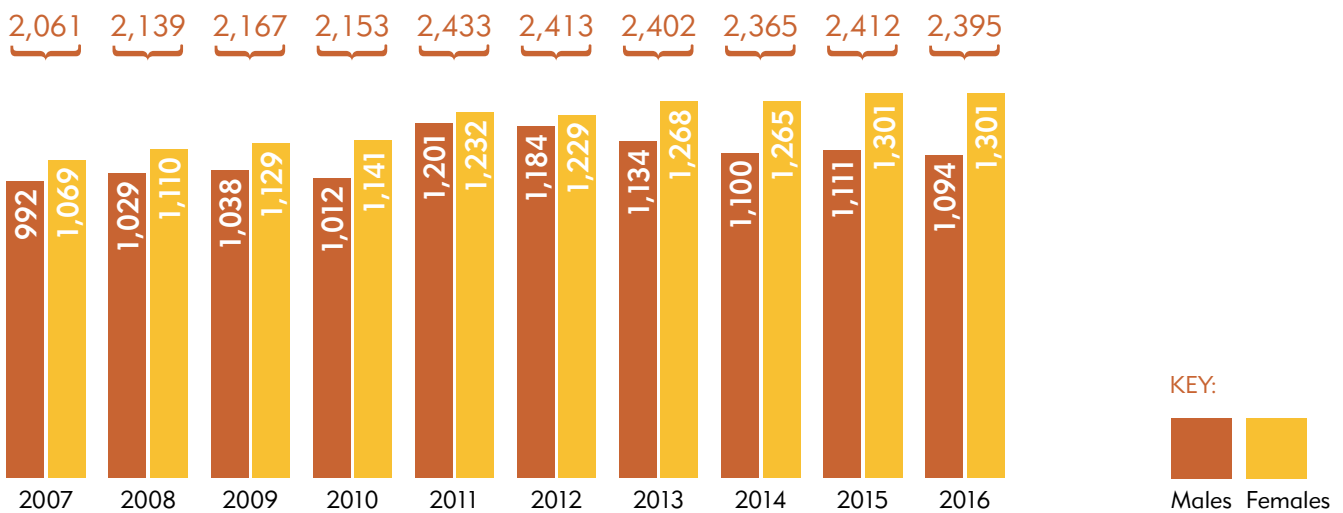
The age structure of pensioners in the Open Fund as at 31 March 2016 is shown below. The benefits paid to the pensioners cover early, normal, late retirement, compulsory and disability retirement.



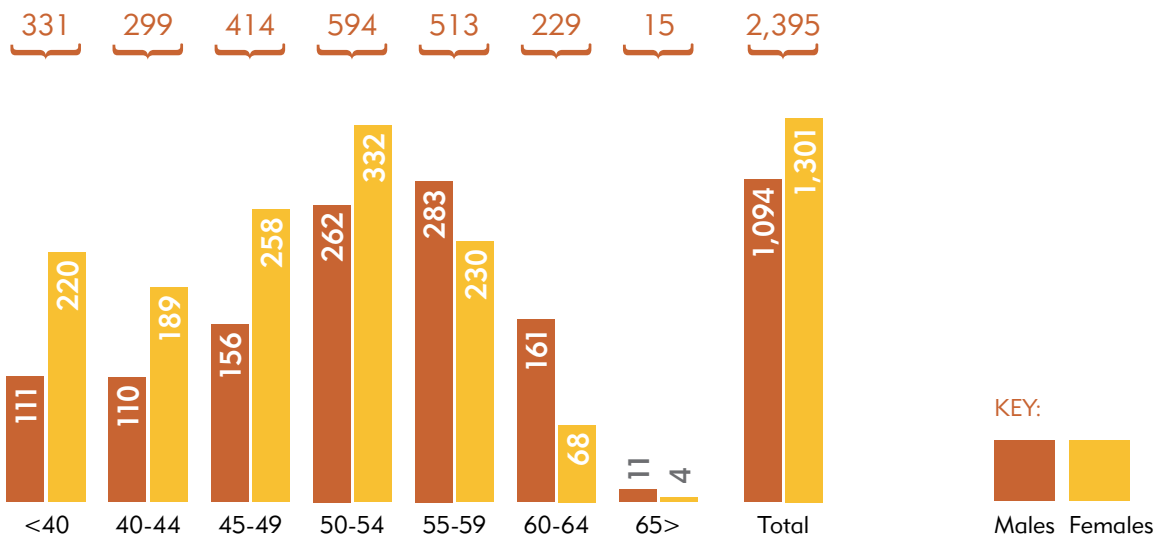
Deferred Members – Open Fund (DB Sections)

Deferred benefits (also known as preserved benefits) are the pension benefits accrued by members who have left service, but still hold a benefit in the Open Fund which will become payable on their retirement date or date of death. The Open Fund has seen a small decrease in the number of DB deferred members during the year.

Chart 3: Deferred – Open Fund (DB Sections)



The age structure of deferred pensioners in the Open Fund as at 31 March 2016 is shown below.

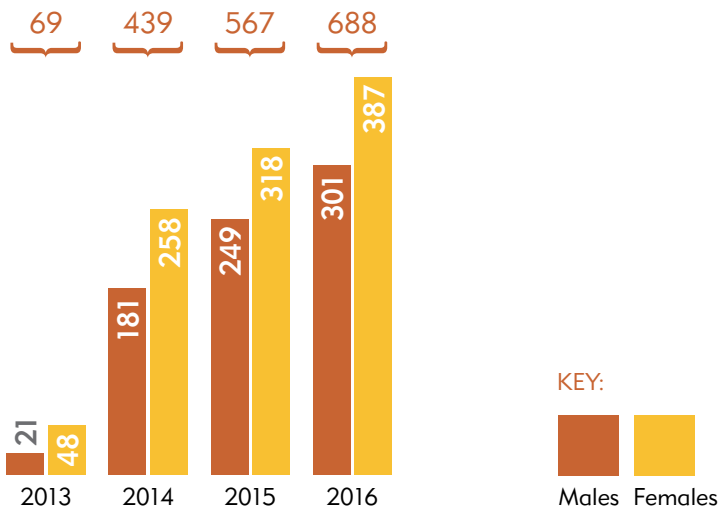


Membership

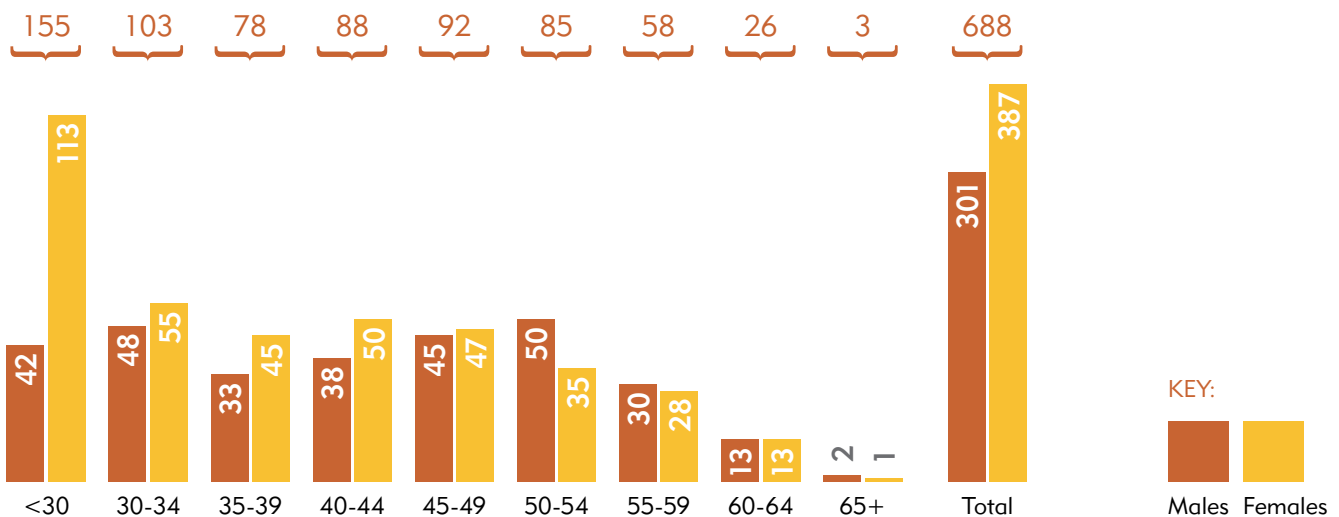
Active Members – Open Fund Defined Contribution (DC) Section

DC membership has increased during the year as the vast majority of the Participating Employers have now introduced the DC Section for their new eligible employees. Membership numbers as at 31 March 2016 are recorded in the following chart.

Chart 4: Active Members – Defined Contribution (DC) Section



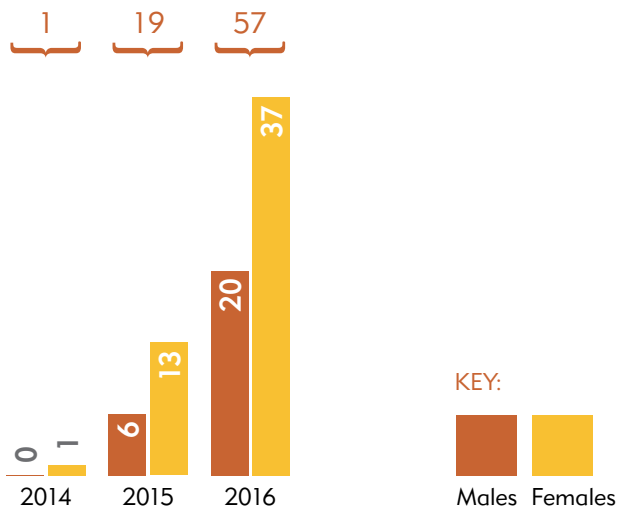
The age structure of the contributing members at 31 March 2016 was as follows:



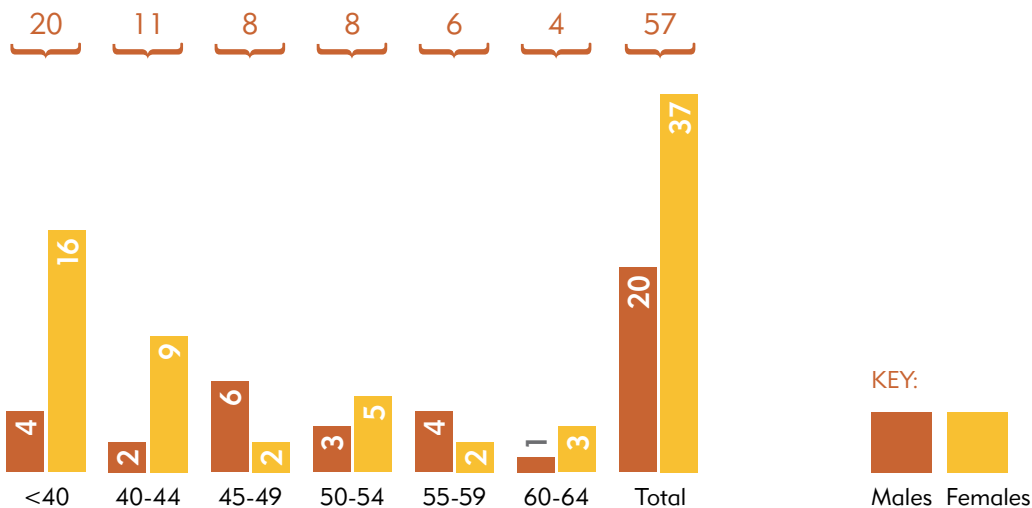
Deferred Members – Open Fund (DC Section)

The numbers of DC Section members with deferred benefits has increased as active DC members leave service. Deferred benefits (sometimes referred to as preserved benefits) are the benefits of members who have left service and their benefits are secured with the Trustees' chosen provider (currently Legal & General). Unless deferred members elect to transfer their benefits to another provider their deferred benefit will become payable on their retirement date or death. The numbers of DC deferred pensioners as at 31 March 2016 is shown below.

Chart 5: Deferred Members – DC Section



The age structure of deferred DC membership in the Open Fund DC Section as at 31 March 2016 is shown below.

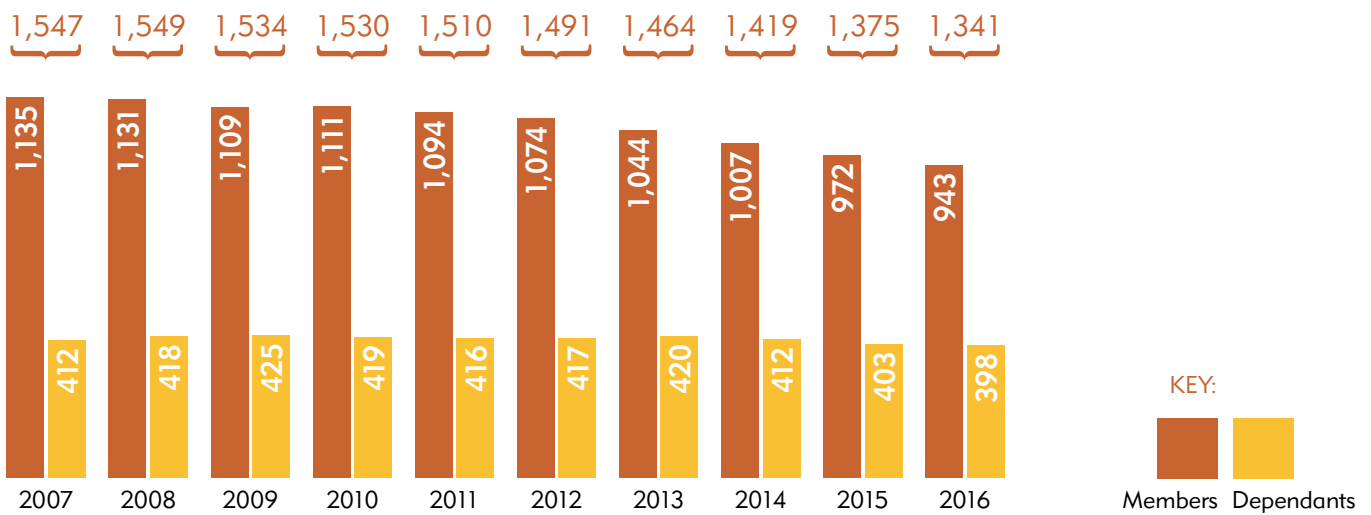


Membership

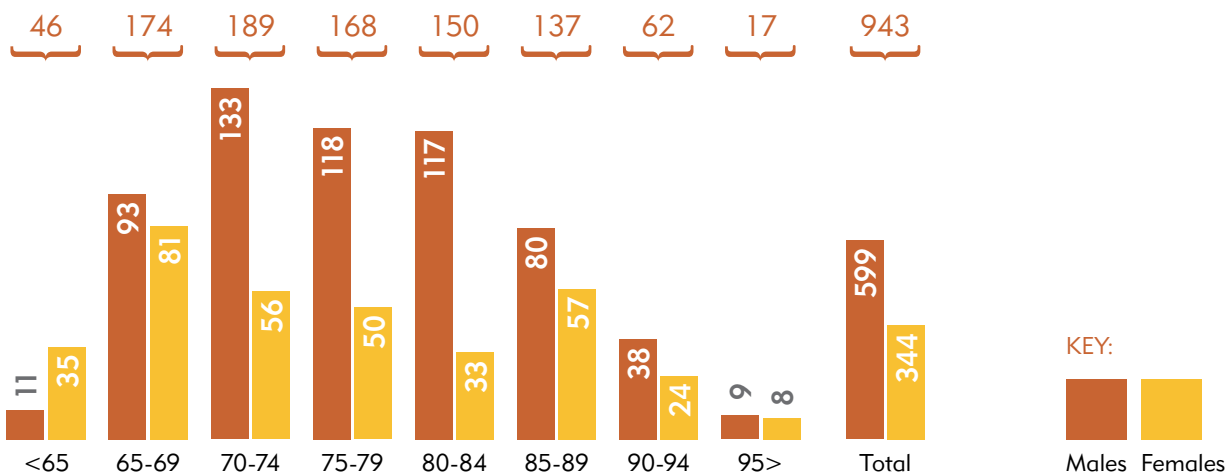
Pensioners - Closed Fund

The Closed Fund was established in April 1983 after the Government had dissolved 16 Training Boards. Membership of the Closed Fund is fixed by a Memorandum of Agreement. There are no active members in the Closed Fund, it consists only of pensioners, dependants and preserved pensions. The Closed Fund membership has naturally decreased during the year.

Chart 6: Pensioners Closed Fund



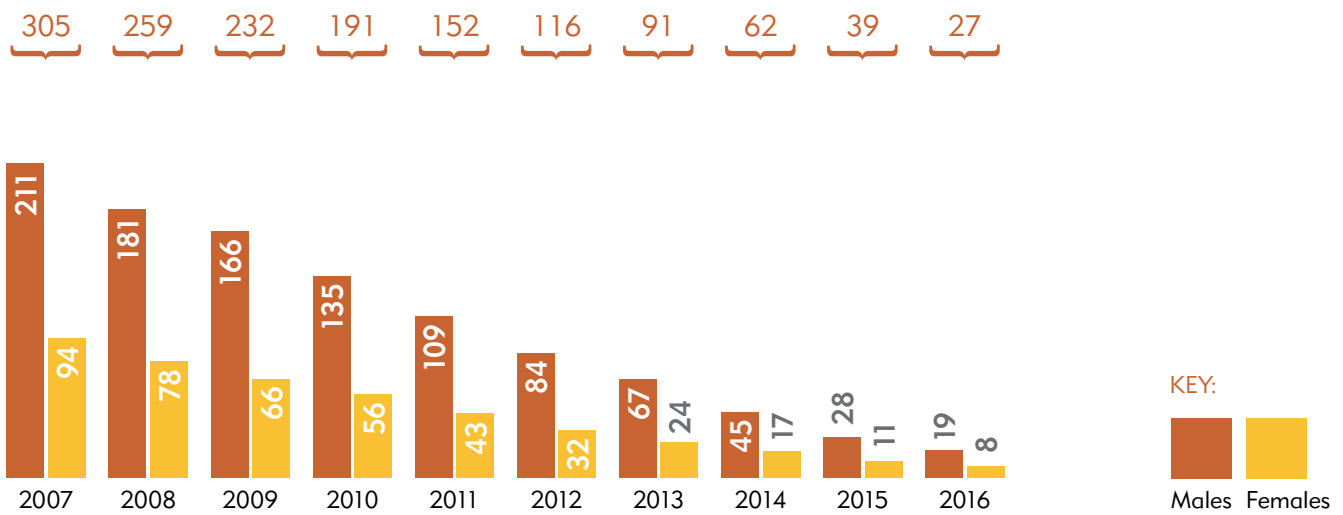
The age structure of pensioners in the Closed Fund as at 31 March 2016 is shown below:



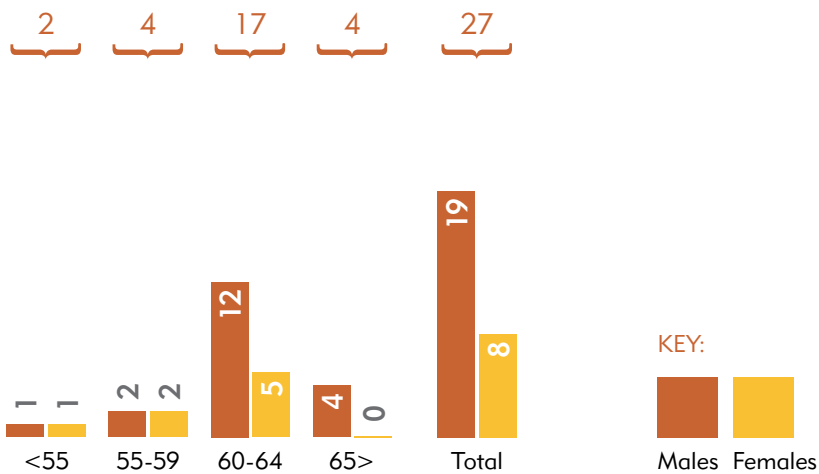
Deferred Members - Closed Fund

Deferred benefits (also known as preserved benefits) are the pension benefits accrued by members who have left service, but still hold a benefit in the Closed Fund which will become payable on their retirement date or date of death. The number of deferred pensioners in the Closed Fund will continue to decline as their pensions come into payment.

Chart 7: Deferred Members - Closed Fund



The age structure of preserved pensioners in the Closed Fund as at 31 March 2016 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 Consumer Price Index (CPI) at the end of the previous September each year, with any increase being applied from the first Monday on or following the beginning of the new tax year.

As a consequence of the September 2015 CPI being minus 0.1% there was no increase granted as at 11 April 2016.

Open Fund New and 2007 Sections

Under the Rules of the Open Fund, New and 2007 Sections the level of increase is currently determined by reference to the annual rise in the Retail Price Index (RPI) at the end of the previous September each year, with any increase being applied from the first Monday on or following the beginning of the new tax year. The actual increase is subject to a maximum increase cap as described for the New and 2007 Sections in the table below. This year the increase is 0.8% and is payable from 11 April 2016.

10 year pension increase history Old Section and Closed Fund

Date of Increase	Increase %
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
7 April 2014	2.7
6 April 2015	1.2
11 April 2016	0.0

Pensions in Payment – Increase Methods (All ITB DB 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:	Nil	Nil	In line with annual up-rating orders issued by the Government
6 April 1978 to 5 April 1988 by:			
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	Any excess over 3% 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 inflation index 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 inflation index and 2.5% pa compound

Contracting-out – current position

The introduction of the new state pension system on the 6 April 2016 brought an end to the ability for defined benefit schemes to contract members out of the additional state pension.

Prior to that 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). DC members participate in S2P as they and their Participating Employers pay full rate National Insurance contributions.

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 remained 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).

Where applicable, 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.

Abolition of Contracting-out

See pages 18 to 19 - Principal Activities

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.

Where the Scheme is in deficit and after obtaining the advice of the Scheme Actuary the Trustees may in certain circumstances reduce transfer values paid out of the Defined Benefit sections of the Scheme.

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.

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 at any time thereafter, subject to Open Fund DB Section transfers normally being completed no less than one year before Normal Retirement Date. However, the Trustees do have discretion to allow such transfers in certain cases, but partial transfer values of DB benefits will not be permitted. Although, DB members who have an accrued investment in the ITB Open Fund's associated Additional Voluntary Contribution (AVC) arrangements can transfer the value of those benefits to DC and leave their DB benefits intact.

Anyone with a DB transfer value of over £30,000 and transferring to a DC arrangement are required to prove they have taken independent financial advice from a regulated financial advisor.

Leavers from the DC Section will have their benefits secured in a pension policy with the DC Scheme's provider (currently Legal & General) approximately one year after leaving service, unless benefits have been refunded or transferred in the interim.

Where DC members are entitled to a transfer value they may exercise their right to transfer out to another suitably approved pension arrangement at any time prior to their retirement or leaving service.

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 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. However, 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.

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.

Overview

Your Trustee Board is committed to high standards of governance and sees this as central to our role as Trustees and consistent with the Pension Regulator's guidance relating to Scheme Governance and Controls. In doing so we try to consider all aspects of the governance of the business of the Funds, including the operation of internal controls to enable the identification, evaluation and management of the risks that relate to the Scheme consistent with those set out in the Pension Regulator's Code of Practice 9: Internal Controls, and underpin this by endeavouring to ensure that your Trustees and the Funds' Office staff are properly trained to carry out our respective duties. To further assist our effectiveness as a board we seek to have timely access to accurate and relevant information, which is supported by access to a secure website of ITB Funds' specific information. Agendas and supporting papers for board and committee meetings are circulated by the Funds' Office in good time prior to the meeting date to allow sufficient time for review to enable informed debate and challenge at meetings. A record is made of all decisions taken at meetings of the board and its committees.

Our ultimate goal as your Trustee Board is to manage the Funds effectively thereby protecting the security of members' benefits, while delivering long-term sustainable success for the benefit of all of our stakeholders.

A critical element of the success of the Trustee Board is that we have the right mix of individuals with experience and expertise who are provided with the necessary information and support. This enables us to arrive at key decisions through free debate and constructive challenge so that we act in accordance with the Trust Deed and Rules and with a good understanding of the long-term interests of the various stakeholders in the ITB Pension Funds.

Internal Control

The Trustees have an established risk and control framework and, wherever practical, give a high priority to mitigating risks to the Funds that we and our advisers are able to identify. The risk evaluation process adopted by the Trustees provides a framework to identify, evaluate and manage risks on an ongoing basis. Once risks are identified, practical steps are developed to mitigate them and update operational procedures. Specifically, the significant risks have been determined by assessing the possible effects on, but not limited to, Scheme investment strategy, safe custody and security of scheme assets, strength of Employer covenant, conflicts of interest, finance and liquidity issues, legislative and regulatory change, operational procedures, processing core financial transactions, fraud, Scheme management and administration, delegated responsibilities and cost control.

The Trustees' focus on risk management is actively pursued by the Funds' Office, who are encouraged to be risk aware and to develop and implement risk control initiatives. Controls found not to be effective are remedied. These measures seek to ensure that all staff act in accordance with the Trust Deed and Rules and relevant laws and regulations. A regular programme of internal procedure reviews is carried out by the Funds' Office which includes assessment of compliance with operating policies and procedures. This is also evaluated by the Funds' Auditor whose findings are addressed by the Funds' Office and reported to the Trustees. The Funds' Office risk management framework is continually being refreshed to better support the Trustees' objectives and to recognise regulatory and legislative change.

Professional Advisers Service Levels

In compliance with established best practice principles produced by the Pensions and Lifetime Savings Association and consistent with the Trustees' policy of regularly reviewing the performance of their professional advisers.

Monitoring Pension Contributions

The Funds' Office practice of monitoring contributions from members and their Employers is based on the Regulator's requirements on the matter, as regular detailed examinations of pay data and contributions are undertaken. Where an over or underpayment, missed or late payment, or materially significant payment failure is identified, action is initiated with the relevant Employer.

Approach to Scheme Funding (Defined Benefits)

The Trustees work closely with the Participating Employers in the funding of the Open Fund Defined Benefits Sections and are mindful of the key funding principles as set out in The Pension Regulator's Code of Practice 3 (updated 2014): Funding Defined Benefits.

The Trustees recognise that a strong, ongoing Employer alongside an appropriate funding plan is the best support for the Scheme. An appreciation and understanding of the changes and challenges taking place within our Participating Employers is crucial in ensuring the Scheme can deliver the benefit expectations of members, without overburdening and possibly restricting Employers' future business development plans.

Defined Contribution Section

As a result of the regulatory amendments brought in under The Occupational Pension Schemes (Charges and Governance) Regulations 2015, chairs of pension schemes offering money purchase benefits must produce an annual chair's

Governance Statement

governance statement, which demonstrates how the new standards for DC governance have been met. Although the existing regulatory guidance on DC governance (the Pensions Regulator's Code of Practice 13: Governance and administration of occupational defined contribution trust-based schemes) is currently being revised, in the interim and in compliance with the revised 2015 Regulations the Chair makes the following statements on behalf of the Trustees:

As Trustees of the ITB Pension Funds we have reviewed and assessed that our systems, processes and controls across key governance functions are consistent with those set out in Code of Practice 13 and the Investment Committee monitors compliance with the Code. Core financial transactions have been processed accurately and promptly during the financial year. The Trustees' risk and control framework sets out how this requirement is met.

The Statement of Investment Principles for the default arrangement sets out three lifestyle investment strategies. The default investment strategy is a lifestyle strategy that targets income drawdown at retirement. The other lifestyle strategies are an annuity strategy and a cash strategy. The default strategy provides an automated investment switching facility, following a pre-selected investment strategy, which will move the funds into lower risk investments as retirement approaches. Further information on the default strategy is set out on page 46. The DC Section statement of investment principles is within the Statement of Investment Principles for the Open Fund of the ITB Pension Funds and is available on application from the Funds' Office and is on the Funds' website.

The DC section was introduced in April 2012 and a comprehensive review of the arrangements was concluded in December 2014, following the budget statement that year. The current default arrangement was introduced in April 2015 as a result of the 2014 review. While there have been no changes in investment policy or any significant changes in the demographic profile of the members, the Trustees monitor the default strategy and its performance regularly at each Investment Committee meeting. The next full review of the default strategy is scheduled for 2017.

The level of charges and transaction costs for the default arrangement (as measured by the total

expense ratio - TER) is 0.68%, while the equivalent cost of the annuity strategy is 0.58% and the cash strategy is 0.68%. The TER for all the funds in which assets relating to members are invested during the Funds' year are stated on page 46.

It is a constant objective of the Trustees that members receive value for money, as small differences in charges can have a major impact on the size of members' pension funds by the time they retire.

The requirements for knowledge and understanding are met by a combination of an established induction programme for new Trustees, attendance at training courses driven by a training needs assessment, an annual formal training seminar and established governance structures and practices (as described further on page 13). The combined knowledge and understanding of the Trustees, together with the advice which is available to them and the experience of Funds' Office support staff, enables them to properly exercise their functions as Trustees of the Funds.

As explained on page 12, the Funds are required to ensure that a majority of Trustees, including the Chairman, are 'non-affiliated', which, among other things, means they must be appointed via an open and transparent process (OTP). The Trustees are satisfied, having regard to guidance issued by the Pensions Regulator, that the Funds comply with this requirement. Steps were taken as described on page 12 to ensure that the appointments of all new Trustees during the year were via OTPs.

The Funds are also required to encourage members to make their views known to the Trustees. The Trustees do this using an annual newsletter and the Funds' website, and more informally through Members' Trustees.

Contact

In the event that members have a query or wish to make their views known to the Trustees on any aspect of their investment in the ITB Funds they should in the first instance write to the ITB Pension Funds, 23 King Street, Watford, Herts, WD18 0BJ.



Jonathan Swift
Chairman of Trustees – 1 July 2016

Actuary's Certification of Schedule of Contributions

Name of Scheme:

The ITB Pension Funds – The Closed Fund

Effective date of actuarial valuation: **31 March 2015**

Period covered by this schedule: **1 January 2016 to 31 March 2021**

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

For each month after 1 January 2016, 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.

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 2015 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 agreed on 2 October 2015.

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.

Signature:		Date:	15 October 2015
Name:	Ken Kneller	Qualification:	Fellow of the Institute and Faculty of Actuaries
Address:	Finlaison House 15-17 Furnival Street London EC4A 1AB	Employer:	Government Actuary's Department

Actuarial Certificates

Open Fund

Actuary's Certification of 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 shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 March 2013 to be met by the end of the period specified in the recovery plan dated 16 June 2014.
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 4 October 2013.

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

30 June 2014

The Schedule of Contributions referred to in this certificate is that dated 16 June 2014.

The ITB Pension Funds (Open Fund DB Section): Summary Funding Statement for period ending 31 March 2015.

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 Fund 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 2013 the funding position was as follows:

Assets	£808.7 million
Liabilities	£832.5 million
Funding level	97%

The estimated amount as at 31 March 2013 needed to ensure that all members' benefits could have been paid in full if the Scheme had started winding up (full solvency) was £1,165.4 million. Therefore, the Scheme was 69% funded on a full solvency basis as at 31 March 2013. 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 2015. The purpose of that review was to assess how the Scheme's funding position had changed over the previous year.

The interim review showed that the funding level increased from 99% to 101% between 31 March 2014 and 31 March 2015. This increase in funding level was principally due to a higher than expected return on scheme assets (net of the effect of changes in market conditions on the liabilities) and deficit contributions paid by Employers.

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 on an ongoing basis. Generally Employers will pay additional contributions for between 1 and 8 years from January 2014. Where such contributions extend beyond 5 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, 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.

Summary Funding Statements

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	18%
Bonds/LDI mandate	47%
Alternative Investments	24%
Property	9%
Cash	2%

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).

- 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 2016.
- The full Actuarial Valuation report follows the Actuary's check of the Scheme's situation as at 31 March 2013.
- The report on the interim Actuarial Review of the Scheme as at 31 March 2015.
- 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.

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 2015.

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 2015 the funding position was as follows:

Assets	£74.3 million
Liabilities	£38.3 million
Surplus	£36.0 million

In April 2011, the Trustees insured the Scheme's benefits through 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.

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 2016.

Had the Scheme started to wind up on 31 March 2015, 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 increased from £29 million to £36 million between 31 March 2014 and 31 March 2015. This increase in surplus was principally due to favourable investment returns.

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 in 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

- 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 Annual Report and Accounts of the ITB Pension Fund, which shows the Scheme's income and expenditure in the year up to 31 March 2016.
- The full report on the Actuarial Valuation following the Actuary's check of the Scheme's situation as at 31 March 2015.
- If you are not getting a pension from the Scheme you can ask for a statement that provides an illustration of your likely 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 2015/2016

Open Fund

The way in which the income of the Open Fund of £19.2m was made up is shown in Chart 8. 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 gain on investments includes the realised profit/loss on the sale of investments.

Closed Fund

The way in which the net loss of the Closed Fund of £7.8m was made up is shown in Chart 9. The net investment income consists of income from index-linked gilts, alternative investments, annuity income and bank interest. The net loss on investments includes the realised profit/loss on the sale of investments.

Chart 8: Open Fund (DB Section)

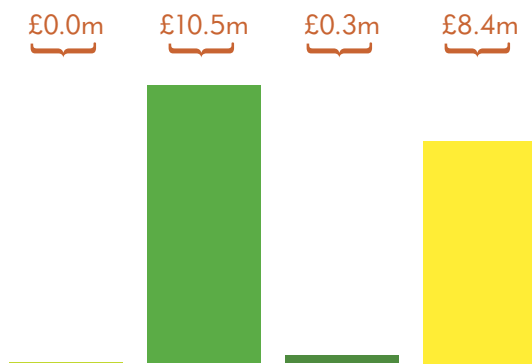
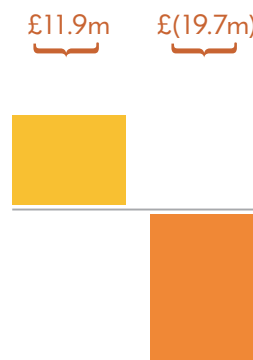


Chart 9: Closed Fund



KEY:



- | | |
|---|---|
| 1 Transfers Received | 4 Net gain from investments including bank deposit income |
| 2 Employers' Contributions | 5 Net income from investments |
| 3 Members' Contributions (including AVCs) | 6 Net gain from investments |

Allocation of Expenditure 2015/2016

The way in which the total Open Fund expenditure of £34.1m was made up is shown in Chart 10.

The way in which the total Closed Fund expenditure of £11.5m was made up is shown in Chart 11.

Chart 10: Open Fund (DB Section)

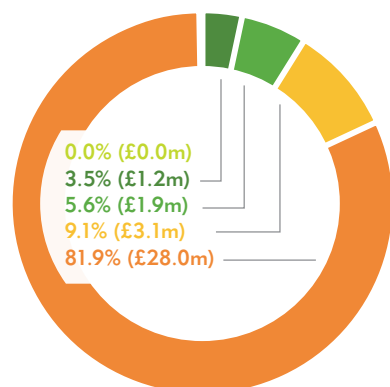
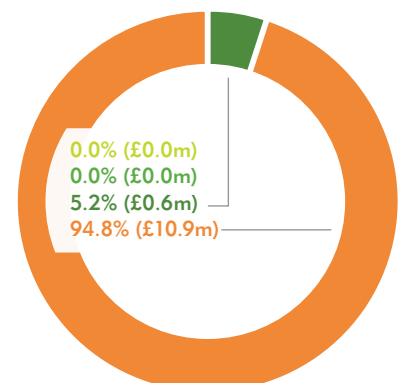


Chart 11: Closed Fund

KEY:



- | |
|---------------------|
| 1 Pension Fund Levy |
| 2 Transfers-out |
| 3 Administration |
| 4 Lump Sum Benefits |
| 5 Pensions |



Investment Policy

Statement of Investment Principles (SIP)

The Pensions Act 1995, as amended, sets out the requirements for trustees of pension schemes to prepare a SIP that governs their investment decisions. While the ultimate power and responsibility for deciding investment policy rests solely with trustees, they must 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 advisers and actuarial advisers on the broad investment principles governing the investment policy of the Funds.

The SIPs are reviewed regularly. 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.

Investment managers are appointed by the Trustees to manage the investments. The appointments are reviewed by the Trustees annually in the light of quarterly monitoring of the performance and investment process. The investment performance of both the Open and Closed Funds is shown on pages 45-46.

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, 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 are mindful of the principles included within The Pensions Regulator's (TPR) Code of Practice No.13 - Governance and administration of occupational defined contribution trust based pension schemes. This concerns the governance matters The Pensions Regulator recommends be considered when setting up and operating a DC pension scheme, and the revision to the Code which is due for publication in July 2016. These principles are 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'.

The Trustees consider that the Funds are currently compliant with the guidance recommended by the Pensions Regulator and have taken steps, where appropriate, to integrate the guidance into working practices and procedures.

Investment Strategy

Open Fund

Following a review of the investment strategy of the Open Fund in February 2014, the Trustees gave detailed consideration to a report on the asset liability study carried out by the Fund's investment advisers. With the benefit of this report a new investment strategy was set with the objective of achieving the Trustees' desired long-term target, while reducing the expected level of investment risk.

In relation to this, the Trustees agreed a long-term funding target of being fully funded on a self-sufficiency basis (i.e. aim to be able to pay benefits without support from employers) by 2034. The Trustees also accepted that this target could be subject to change depending on whether the actual performance of the fund was above or below the assumptions used in preparing the 20 year de-risking plan.

The current asset allocation of the Open Fund is shown on pages 43-44.

Closed Fund

The majority of the Closed Fund's liabilities were bought-in with Pension Insurance Corporation 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, and a diversified growth fund strategy.

Investment Management and Custody

The Trustees appoint external investment managers who have the 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.

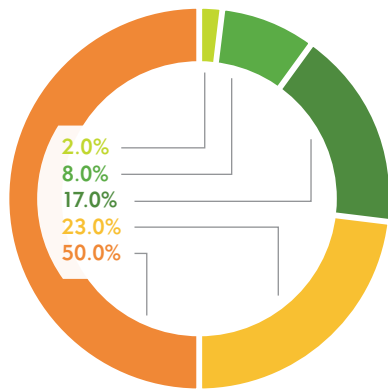
Investment Report

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

by JP Morgan Chase Bank. The Bank of New York Mellon is appointed as the custodian for the funds managed by BlackRock.

Open Fund Asset Allocation

The target strategic asset allocation existing at 31 March 2016 for the Open Fund (DB Section) was as follows:

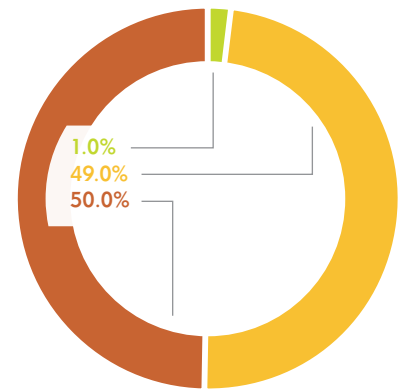


KEY:

- 1 Cash
- 2 Property
- 3 Global Equities
- 4 Alternative Investments
- 5 Bonds/Liability Driven Investment Mandate

Closed Fund Reserve Assets Allocation

The target strategic asset allocation existing at 31 March 2016 for the reserve assets of the Closed Fund not invested in index-linked gilts, was 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.

Details of the Open and Closed Funds' total asset allocation are shown on pages 43-44.

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.

Market Review for ITB - 12 months to the end of March 2016

UK equities

For the 12-month period as a whole, the FTSE All-Share index fell 3.9% in sterling, total return terms. UK equity markets spent much of the review period under pressure, but managed to regain some ground during the final quarter of 2015 and between mid-February and March in 2016. At the start of the period under review, UK stocks performed poorly as bailout talks between Greece and its creditors stalled. Renewed volatility in international markets also created headwinds as US equity markets suffered one of the worst losses in over a year in June while China's main stock index entered bear-market territory. As such, UK large-cap stocks, which are more internationally exposed, continued to underperform relative to domestically focused small- and mid-cap stocks. Over August and September, volatility spiked as investors were faced with the prospect of slowing global growth, a renewed slide in energy and commodity prices and uncertainty ahead of Federal Reserve (Fed) policy announcements. China's devaluation of the yuan in August by the most in two decades also spooked financial markets. UK stocks received a temporary reprieve towards the end of 2015 as policymakers in China and Europe moved to stem concerns about the global growth outlook and the Fed raised the benchmark federal funds rate for the first time since 2006 in December. The accompanying statement indicated rates would likely remain below long-run levels for some time, suggesting only gradual increases in the future. However, at the start of 2016, UK stocks headed lower once more and experienced a turbulent start to the year that lasted through to mid-February as weak oil prices and continued concerns over the health of China's economy dominated. Performance between mid-February and March was stronger as dovish central bank rhetoric and a fresh round of monetary easing measures from the European Central Bank helped drive risk assets higher.

Europe ex-UK equities

For the 12-month period as a whole, the FTSE Europe ex-UK index fell 12.3% in euro, total return terms. The index registered losses every quarter over the 12 months, except during the October-December period. At the start of the

period under review, European equities performed poorly as bailout talks between Greece and its creditors stalled. An agreement between Greece and its international creditors was later reached, in which the Greek government accepted the bailout conditions attached to a new debt package following weeks of intense negotiations. However, sentiment soon soured again as focus shifted to emerging markets, particularly China, and as uncertainty mounted ahead of policy announcements in the US. Global stocks suffered a tumultuous period on worries that the world's second largest economy was slowing more sharply than previously anticipated. European stocks snapped back during the final quarter of 2015 amid a continued improvement in eurozone economic data and assurances from the European Central Bank (ECB) that it would re-examine its monetary policy measures in December. The ECB's policy announcement left investors underwhelmed in December and stocks eased off their quarterly highs. Despite this, the FTSE Europe ex-UK index finished the final quarter of 2015 up 7.1%. Stocks were also supported by the US Federal Reserve's decision to lift the benchmark federal funds rate for the first time since 2006 in December, as the move suggested the US economy was on a firmer footing. However, at the start of 2016, volatility increased amid a global rout in equity markets as worries over global growth, falling commodity prices and weakness in emerging market economies dominated. In March, the ECB unveiled a fresh round of easing measures that exceeded expectations, providing a late boost to risk assets at the end of the period.

Global equities

For the 12-month period as a whole, the MSCI World index fell 2.9% in US dollar, total return terms. The period under review was characterised by bouts of volatility as worries over global growth, falling commodity prices and weakness in emerging market economies largely dominated. This was particularly pronounced during the July-September period when the MSCI World index lost 8.3%. The focus of the sell-off concentrated in emerging market indices and China's equity market lost ground over the period despite measures taken by Chinese authorities to stem the decline. Uncertainty regarding the country's economic growth prospects weighed on commodity prices and, in combination

Investment Background

with falling oil prices, impacted the performance of mining and energy stocks in a number of markets. Stocks later regained some ground as key central banks moved to stem concerns about the global growth outlook, either by unveiling further monetary policy easing measures or by hinting that they were to come. In October, the People's Bank of China announced its sixth interest rate cut in just 12 months while the European Central Bank (ECB) said the degree of monetary policy accommodation would need to be "re-examined" at the December policy meeting. Despite this, the MSCI World index finished the final quarter of 2015 up 5.7%, also supported by the US Federal Reserve's decision to lift the benchmark federal funds rate for the first time since 2006 in December. However, at the start of 2016, volatility increased again as worries over global growth, falling commodity prices and weakness in emerging market economies dominated.

Bonds

Early during the period under review, gilt yields continued to follow European yields lower as investors focused on the monetary easing efforts of central banks rather than improving economic data. Towards the end of April 2015, with yields at unsustainably low or negative levels, the trend abruptly reversed and global yields rose with a speed and magnitude which surprised market participants. Yields later resumed their downward trend in a "risk-off" environment which began in July as bailout talks between Greece and its creditors stalled. The prospect of slowing global growth, a renewed slide in energy and commodity prices and uncertainty ahead of Federal Reserve (Fed) policy announcements also drove "risk-off" flows while China's devaluation of the yuan in August by the most in two decades also spooked financial markets. In September, attention switched to the US as speculation mounted that the Fed might start the interest rate hiking cycle at its September meeting. The Fed left policy rates unchanged, citing concerns over international developments. This served to further fan investors' fears over the global economic outlook. The

final quarter of 2015 was dominated by the likelihood of the Fed raising rates at its December policy meeting and attention was focused on data releases that might affect the decision. In December, the Fed raised rates for the first time in nine years as guided, and medium- and longer-dated gilt yields followed US Treasury yields higher as UK investors mulled the prospect of the Bank of England following suit. Demand for safe haven assets picked up once more at the start of 2016 as volatility returned to risk assets. Between mid-February and the end of March government bonds were supported by dovish central bank rhetoric. After disappointing markets in December, the European Central Bank exceeded expectations in March by announcing an aggressive package of easing measures. Meanwhile, the Federal Open Market Committee lowered its median policy rate forecasts to reflect its expectation of two rather than four rate hikes in 2016.

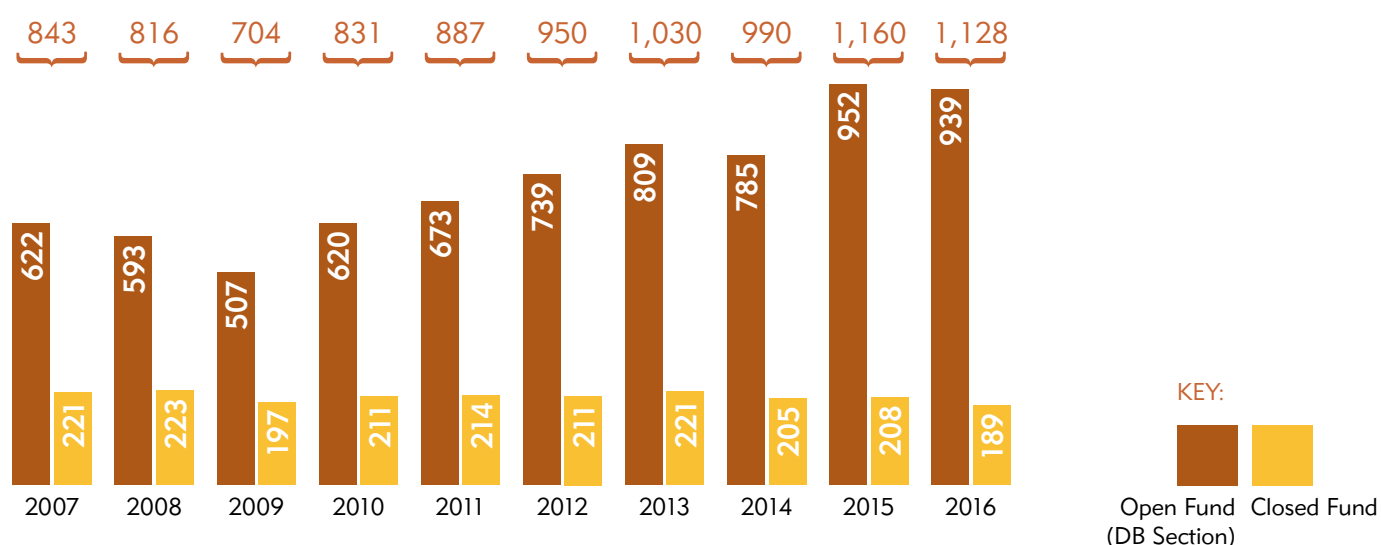
Property

The UK commercial property market slowed in 2015 and this trend continued into the first quarter of 2016. Total returns of 19.3% in 2014 decreased to 13.8% in 2015 and 11.1% in the year to March 2016. Thirteen consecutive quarters of economic growth have resulted in improving rental values. All property rental growth increased to 4.0% in the year to March 2016 from 3.2% in the year to March 2015. In the year to March 2016 Central London office rental values grew by 11% and Central London shop rental values increased by 9%. Rental growth has now spread to all segments. Even Rest of UK shops recorded rental value growth of 0.3% in the year to March 2016.

Commercial property in the USA enjoyed the best performance in 2015 from a range of countries monitored by IPD / MSCI with a total return of 18.5%. The UK was in the silver medal position. Best performing European markets were Switzerland and Sweden with total returns of 12.0%. Spain was the best performing Eurozone market as capital values grew by 4% but capital values shrank across France, Germany, Italy and Eastern Europe generally. In South Africa capital values fell 17%.

The size of each Fund and the growth achieved in the past ten years is demonstrated in Chart 12.

Chart 12: Growth of Total Funds - £m's



Asset Allocation

At the end of March 2016, the Funds' investments were allocated between the following categories:

Open Fund (DB Section)	Market Value £000's	Proportion of Market Value %
UK Equities	11,607	1.2
Global Equities	130,997	14.0
Fixed Interest:		
UK	390,459	41.8
Index Linked	370,629	39.6
Derivatives	(17,032)	-1.8
Property	67,593	7.2
Alternatives (e.g. Diversified Growth Funds)	187,612	20.0
AVC	1,179	0.1
Other Investment Balances	(260,433)	-27.8
Cash	53,807	5.7
Total	936,418	

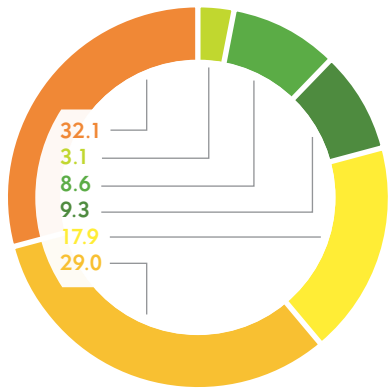
Closed Fund	Market Value £000's	Proportion of Market Value %
Insurance Policy	124,349	65.8
UK Equities	3,366	1.8
Overseas Equities	15,933	8.4
Fixed Interest:		
Index Linked	26,894	14.2
Alternatives	18,154	9.6
Other Investment Balances	106	0.1
Cash	152	0.1
Total	188,954	

Investment Report

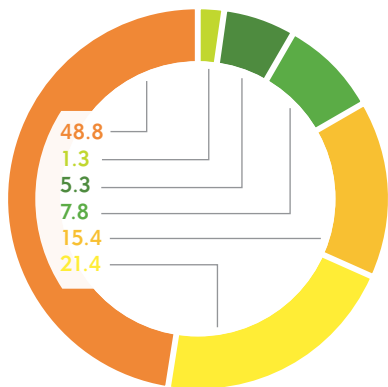
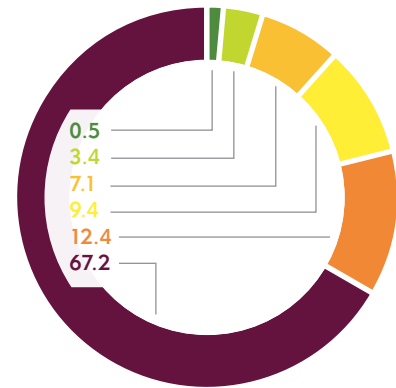
The overseas equities for both Funds consists of holdings in Europe, North America, Japan and South East Asia. The Closed Fund also holds Emerging Market investments. The changes in asset allocation made since 2014 are shown in Charts 13 and 14.

Chart 13: Asset Allocation - Open Fund (%)

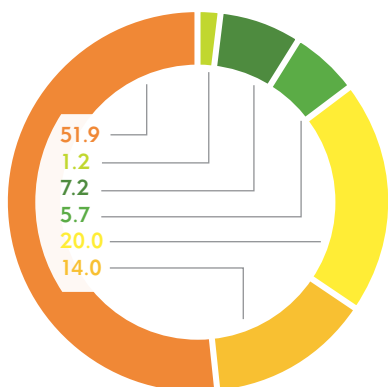
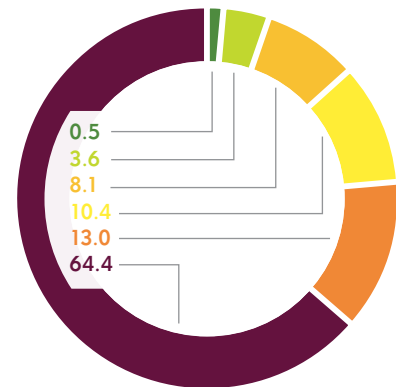
Chart 14: Asset Allocation - Closed Fund (%)



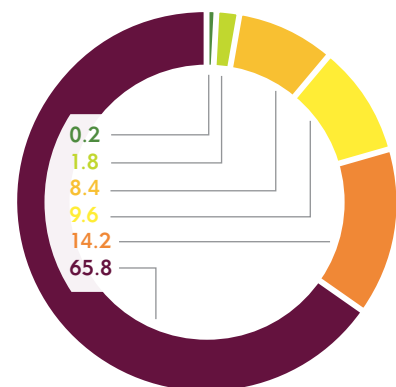
2014



2015



2016



KEY:

- | | | | | | | |
|---------------|------------|----------|----------------|----------------------------|--|--------------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 1 UK Equities | 2 Property | 3 Cash | 4 Alternatives | 5 Global/Overseas Equities | 6 Fixed Interest, Index Linked and Derivatives | 7 Insurance Policy |

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.

Total Fund

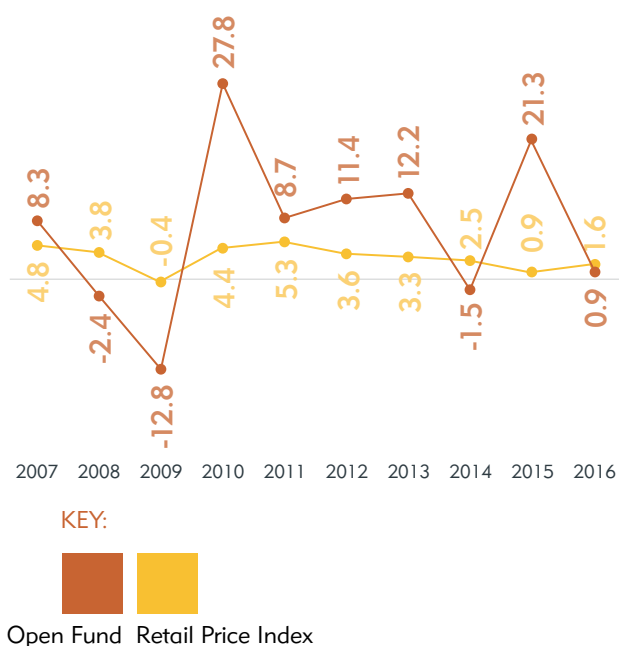
The investment performance of both the Closed and Open Funds is monitored by an independent investment performance monitoring service provided by the Funds' investment adviser. For performance purposes the Closed Fund and the Open Fund are treated separately.

The period reviewed in the most recent full report relates to the year ended 31 March 2015. In addition, the investment adviser also provides an overview for each fund and presents 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 appropriate indices and the investment managers are set performance targets so as to ensure that, as far as is practicable, the Funds perform in line with their strategic benchmark.

Defined Benefit Funds (DB)

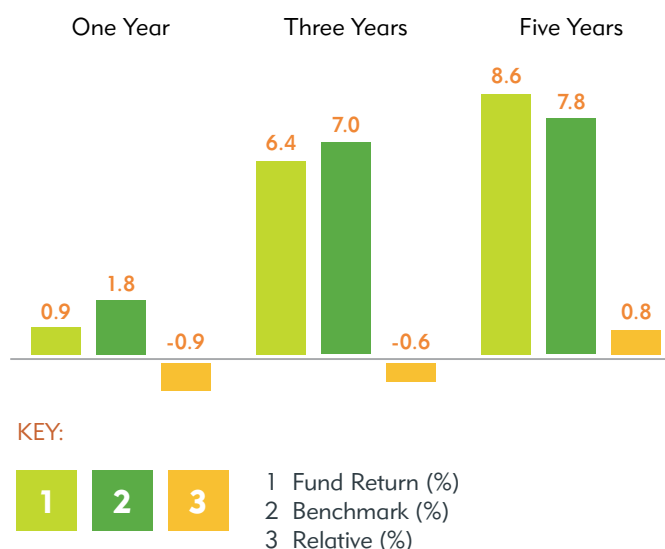
Chart 15: Rates of Return



The relevant benchmark return for the Open Fund (DB Section) this year was 1.8%, whereas the Fund achieved a return of 0.9%.

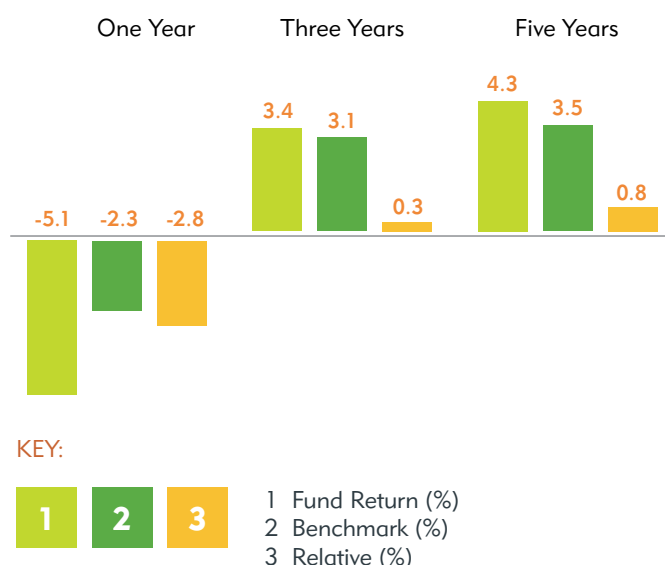
Chart 15 shows the rate of return on all assets achieved by the Open Fund (income and capital appreciation combined) in the recent past, compared with the increase in prices, as measured by the Retail Price Index. Past returns are, of course, no guarantee of future performance.

Chart 16: Total Open Fund return over periods to 31 March 2016



The reserve assets of the Closed Fund achieved a return of -2.8%. This Closed Fund return excludes the return achieved on the movement of the Pension Insurance Corporation's insurance policy as any gains or losses made on this investment cannot be realised by the Trustees.

Chart 17: Total Closed Fund return (excluding index-linked gilts) over periods to 31 March 2016



Investment Performance Review

Defined Contribution Funds (DC)

Manager's Mandate and Performance - Open Fund

All assets of the DC Section of the Open Fund are invested with Legal & General Assurance Society Limited (L&G). Monies invested with L&G are allocated to any of the designated funds at the discretion of each member. A default lifestyle fund was set up in March 2015 and was made available to members. This fund is made up of a mixture of passive multi asset strategy (33%), a diversified growth strategy (17%) and a global equity strategy (50%). 15 years from retirement this fund is designed to move to less risky investments with the target allocation at retirement being cash (25%), passive multi asset (50%) and diversified growth (25%). Contributions will be allocated to this fund if a member does not nominate specific investment funds. All fund fee charges are fixed and based on the value of each member's fund.

Shown below are the designated funds together with the performance benchmark, fee charges and fund size information.

All index tracking funds performed at or marginally above benchmark for the year. Standard Life underperformed its benchmark by 5% for the year.

Fund	Fund Value £000's	% of Total DC Funds	Performance Benchmark	Performance Target	TER*
Fixed Interest Funds (including index-linked gilts):					
Over 5 years index-linked gilts index fund	11	0.3%	FT A index-linked gilts (over 5 year) index	To track the index	0.38%
Over 15 year index-linked gilts index fund	8	0.2%	FT A gilts (over 15 year) index	To track the index	0.38%
AAA-AA-A Corporate Bond over 15 year index fund	13	0.3%	iBoxx £ non gilts (ex BBB) over 15 year index	To track the index	0.42%
Global Equity Funds:					
Global equity fixed weight 50:50 index fund	1,936	45.1%	Composite of 50/50 distribution between UK and overseas	To track the index	0.40%
Ethical global equity index fund	3	0.1%	FTSE4 Good Global Index	To track the index	0.60%
Standard Life global absolute return strategies fund	783	18.2%	6 month £ LIBOR	To outperform the benchmark by 5% pa	1.26%
Other Funds:					
Passive Multi Asset fund	1,502	35.0%	Composite Index	To track the index	0.53%
HSBC Life Amanah fund	-	-	Dow Jones Islamic Titans 100 index	To track the index	1.15%
Cash fund	26	0.6%	7 day LIBID	CAPS pooled pension fund median	0.40%
Debtors	7	0.2%	-	-	-
Total Fund	4,289	100.0%			

*TER (Total Expense Ratio) includes annual management charge, custody fees and other legal expenses, e.g. audit fees. TERs exclude transaction costs which are additional expenses borne by the fund.

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

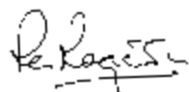
During the year, the contributions payable to the Open Fund by the Employers under the Schedule of Contributions were as follows:

	2016	2015
	£'000	£'000
Contributions payable under the Schedule of Contributions		
Employers' normal contributions	7,620	7,821
Employers' deficit contributions	2,749	18,263
Employers' life assurance contributions	48	43
Members' normal contributions	868	982
Total contributions payable under the Schedule	11,285	27,109
Other contributions		
Employers' augmentation costs	1,341	1,025
S75 debt	69	-
Members' AVC contributions	79	106
Total payable to the Scheme	£12,774	£28,240

The Trustees Report was approved by the Trustees on 1 July 2016.



J Swift
Trustee



P Rogerson
Trustee

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 2016 which comprise the fund accounts, the net assets statements and the related notes 1 to 25. 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) including FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2016, 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 and 3A 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.

MOORE STEPHENS LLP

Chartered Accountants and Statutory Auditor
LONDON

20 July 2016

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 2016 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 2016 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 30 June 2014 in respect of both the DB and DC sections.

MOORE STEPHENS LLP
Chartered Accountants and Statutory Auditor
LONDON

20 July 2016

Fund accounts

for the year ended 31 March 2016

	Notes	Closed Fund 2016 £'000	Open Fund DB Section 2016 £'000	DC Section 2016 £'000	Combined Fund 2016 £'000	Combined Fund 2015 £'000
Contributions and benefits						
Employer contributions	6	-	10,454	1,373	11,827	27,152
Employee contributions	6	-	321	626	947	1,088
Total contributions		-	10,775	1,999	12,774	28,240
Transfers in	7	-	-	107	107	46
		-	10,775	2,106	12,881	28,286
Expenditure						
Benefits paid or payable	8	10,932	31,031	88	42,051	42,077
Payments to and on account of leavers	9	-	1,916	100	2,016	960
Other payments:						
Life assurance premiums		-	-	48	48	43
Administrative expenses:						
General administration	10	452	717	24	1,193	1,192
Professional services	10	148	479	7	634	585
Pension fund levy		3	24	-	27	52
		11,535	34,167	267	45,969	44,909
Net (withdrawals)/additions from dealings with members		(11,535)	(23,392)	1,839	(33,088)	(16,623)
Returns on investments						
Investment income	11	11,945	13,780	-	25,725	23,191
Change in market value of investments	14	(19,637)	(4,079)	40	(23,676)	167,354
Investment management expenses	12	(68)	(1,216)	(10)	(1,294)	(1,417)
Taxation	13	(31)	(103)	-	(134)	(172)
Net returns on investments		(7,791)	8,382	30	621	188,956
Net (decrease)/increase in the funds during the year		(19,326)	(15,010)	1,869	(32,467)	172,333
Net assets as at 31 March 2015		208,477	953,792	2,697	1,164,966	992,633
Net assets as at 31 March 2016		£189,151	£938,782	£4,566	£1,132,499	£1,164,966

The notes on pages 54 to 70 form part of these financial statements.

Net assets statements

31 March 2016

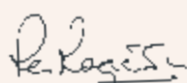
	Notes	Closed Fund 2016 £'000	Open Fund DB Section 2016 £'000	DC Section 2016 £'000	Combined Fund 2016 £'000	Combined Fund 2015 £'000
Investment assets						
Bonds		21,808	681,059	-	702,867	628,793
Property		-	58,935	-	58,935	58,148
Pooled investment vehicles	15	42,539	418,903	4,282	465,724	509,362
Derivative assets	16	-	532,602	-	532,602	373,249
Insurance policies	17	124,349	-	-	124,349	134,200
AVC investments	18	-	1,179	-	1,179	1,278
Cash		152	53,807	-	53,959	49,516
Other investment balances	19	106	4,515	7	4,628	26,718
		188,954	1,751,000	4,289	1,944,243	1,781,264
Investment liabilities						
Derivative liabilities	16	-	(549,634)	-	(549,634)	(380,257)
Other investment balances	19	-	(264,948)	-	(264,948)	(237,083)
		-	(814,582)	-	(814,582)	(617,340)
Total net investments	14	188,954	936,418	4,289	1,129,661	1,163,924
Fixed assets	22	-	24	-	24	46
Current assets	23	408	3,369	304	4,081	2,146
Current liabilities	24	(211)	(1,029)	(27)	(1,267)	(1,150)
Net assets as at 31 March 2016		£189,151	£938,782	£4,566	£1,132,499	£1,164,966

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 1 July 2016.



J Swift
Trustee



P Rogerson
Trustee

The notes on pages 54 to 70 form part of these financial statements.

Notes to the Financial Statements

for the year ended 31 March 2016

1 Basis of preparation

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 Financial Reporting Standard 102 – the Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and with the guidance set out in the Statement of Recommended Practice (SORP) (revised November 2014). The March 2016 Amendments to FRS 102 “Fair value hierarchy disclosures” have been adopted early. This is the first year FRS 102 and the Revised SORP have applied to the Funds’ financial statements.

2 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.

3 Actuarial valuations

The Trustees have received and adopted the Valuation Report by the Actuary on the Closed Fund as at 31 March 2015 and on the Open Fund as at 31 March 2013. The valuation report on the Open Fund resulted in a recovery plan, which was formally implemented during the 2014/2015 scheme year.

4 Transition to FRS 102

	1 April 2014 £'000	31 March 2015 £'000
Net assets of the Scheme as previously reported	991,340	1,163,688
Effect of transition - inclusion of AVC investments	1,293	1,278
Net assets of the Scheme as restated	£992,633	£1,164,966
		2015 £'000
Net increase in Funds as previously reported		172,348
Effect of transition - inclusion of AVC investments		(15)
Net increase in Funds as restated		£172,333

Separately invested AVC investments are not a significant proportion of the Funds and were previously excluded from the Net Assets statement. However, FRS 102 requires that these investments are included in the Net Assets statement and the Trustees have adopted this requirement.

5 Accounting policies

a) Contributions

- i) Employer normal contributions relating to wages and salaries earned up to the year end have been included in these financial statements.
- ii) Employer augmentation contributions represent amounts recoverable from employers to improve the benefits of certain members and these are due to the Open Fund from the relevant Participating Employers. These are recognised when agreed with the Participating Employer concerned.
- iii) Employer deficit funding contributions have been paid to the scheme in accordance with an agreed Schedule of Contributions. These are recognised when received.
- iv) Employer 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, taking into account the likelihood of recovery.
- v) Employee contributions, including AVCs, relating to wages and salaries earned up to the year end have been included in these financial statements.

b) Transfers receivable

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 and are recognised when received.

c) Benefits payable

- i) Pension payments are recognised in the period to which they relate.
- ii) Benefits payable include all valid benefit claims notified to the Trustees during the financial year.

d) Payments to and on account of leavers

- i) Refunds of contributions relate to members who leave the Funds and are entitled to a refund of these, including interest, are recognised in the year of leaving.

- ii) Opt-outs are accounted for when the Trustees are notified of the opt-out.
- iii) Transfers payable relate to those early leavers whose transfers have been agreed by the Trustees during the year.

e) Administrative expenses

- i) Administrative expenses are accounted for on an accruals basis.
- ii) The Funds bear all the costs of administration. Direct costs are charged to the section to which they relate. Indirect expenses are allocated between the Closed Fund and Open Fund's DB and DC sections in accordance with a basis determined by the Trustees.

f) Investment income

- i) Dividends from equities are recognised on the ex-dividend date.
- ii) Interest on bonds is recognised on an accruals basis and includes interest bought and sold on investment purchases and sales.
- iii) Rental income is recognised when demanded.
- iv) Income from cash and short term deposits is accounted for on an accruals basis.
- v) Annuity income is recognised on an accruals basis.
- vi) Interest payable under repurchase agreements is recognised on an accruals basis.
- vii) 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.

g) Change in market value of investments

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

Notes to the Financial Statements

for the year ended 31 March 2016

5 Accounting policies (cont'd)

h) Valuation of investment assets and liabilities

Investments are valued at fair value determined as follows:

- i) Listed investments 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 are included at open market value as at 31 March 2016 determined in accordance with Practice Statement 4 of the Royal Institute of Chartered Surveyors' Appraisal and Valuation Standards. The properties have been valued by Fletcher King, Chartered Surveyors, who have recent experience in the locations and class of the investment properties held by the Scheme.
- v) Forward contracts are valued at amounts that assume settlement at the rates ruling at the year end.
- vi) Exchange traded derivatives are stated at fair values determined using market quoted prices.

vii) Over the counter derivatives are stated at fair value using pricing models and relevant market data as at the year end date.

viii) Repurchase agreements and reverse repurchase agreements are included at the amount payable or receivable under the agreement. The scheme continues to value, and recognise in investments, the securities that are delivered out as collateral under repurchase arrangements. Cash received is recognised as an asset and the obligation to pay it back is recognised as a liability. Similarly, under reverse repurchase arrangements, cash delivered to the counterparty is recognised as a receivable in other investment assets and the scheme does not recognise the collateral securities received as an asset.

ix) The insurance policy held by the Closed Fund has been valued at the amount of the related obligation, determined using the most recent Closed Fund Funding valuation assumptions and methodology.

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

6 Contributions

2016	Closed Fund	Open Fund		Combined Fund
	£'000	DB Section £'000	DC Section £'000	£'000
Employer contributions:				
Normal	-	6,295	1,325	7,620
Deficit funding	-	2,749	-	2,749
Augmentation	-	1,341	-	1,341
Buy-out contributions (section 75 debt)	-	69	-	69
Other	-	-	48	48
Total employer contributions	-	10,454	1,373	11,827
Employee contributions:				
Normal	-	242	626	868
Members' AVC contributions	-	79	-	79
Total employee contributions	-	321	626	947
	£-	£10,775	£1,999	£12,774
2015	Closed Fund	Open Fund		Combined Fund
	£'000	DB Section £'000	DC Section £'000	£'000
Employer contributions:				
Normal	-	6,879	942	7,821
Deficit funding	-	18,263	-	18,263
Augmentation	-	1,025	-	1,025
Other	-	-	43	43
Total employer contributions	-	26,167	985	27,152
Employee contributions:				
Normal	-	476	506	982
Members' AVC contributions	-	106	-	106
Total employee contributions	-	582	506	1,088
	£-	£26,749	£1,491	£28,240

Employer normal contributions include contributions in respect of salary sacrifice arrangements made available to members by certain Employers.

Normal contributions receivable by the Scheme during the year, including amounts outstanding at the year end (see note 23), 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 2013, appropriate Employers continued to pay deficit recovery contributions and these have been included in the financial statements on the basis of amounts due under the Schedule of Contributions.

In addition to these contributions the following section 75 debt was due in respect of a former employer. Skills For Logistics' membership of the Open Fund was terminated on 6 January 2015 when the company went into administration. At that time a section 75 debt of £2,053,000 became due. £69,000 was received during the year, however, the final amount that will be recovered is currently unknown, therefore no further amount has been recognised in these financial statements.

Notes to the Financial Statements

for the year ended 31 March 2016

7 Transfers in

	2016 £'000	2015 £'000
Open Fund - DC Section		
Individual transfers from other schemes	£107	£46

8 Benefits paid or payable

2016	Closed Fund £'000	Open Fund DB Section £'000	DC Section £'000	Combined Fund £'000
Pensions	10,881	27,961	-	38,842
Commutation of pensions and lump sum retirement benefits	51	3,053	15	3,119
Lump sum death benefits	-	17	73	90
	£10,932	£31,031	£88	£42,051

2015	Closed Fund £'000	Open Fund DB Section £'000	DC Section £'000	Combined Fund £'000
Pensions	11,191	27,421	-	38,612
Commutation of pensions and lump sum retirement benefits	112	3,224	-	3,336
Lump sum death benefits	-	129	-	129
	£11,303	£30,774	£-	£42,077

9 Payments to and on account of leavers

2016	Closed Fund £'000	Open Fund DB Section £'000	DC Section £'000	Combined Fund £'000
Individual transfers to other schemes	-	1,910	19	1,929
Refund of contributions	-	6	81	87
	£-	£1,916	£100	£2,016

2015	Closed Fund £'000	Open Fund DB Section £'000	DC Section £'000	Combined Fund £'000
Individual transfers to other schemes	-	803	58	861
Refund of contributions	-	12	87	99
	£-	£815	£145	£960

10 Administration costs

	Closed Fund £'000	Open Fund DB Section £'000	DC Section £'000	Combined Fund £'000
2016				
General administration:				
Employment costs	287	449	15	751
Office accommodation	39	62	2	103
General expenses	93	154	5	252
Trustees' honoraria	33	52	2	87
	£452	£717	£24	£1,193
Professional services:				
Auditor's fees	17	27	1	45
Legal and professional services	42	152	5	199
Actuarial services	81	166	-	247
Other	8	134	1	143
	£148	£479	£7	£634
2015				
General administration:				
Employment costs	276	444	7	727
Office accommodation	39	63	1	103
General expenses	103	176	4	283
Trustees' honoraria	30	48	1	79
	£448	£731	£13	£1,192
Professional services:				
Auditor's fees	16	26	-	42
Legal and professional services	53	127	2	182
Actuarial services	26	235	1	262
Other	4	95	-	99
	£99	£483	£3	£585

Notes to the Financial Statements

for the year ended 31 March 2016

11 Investment income

2016	Closed Fund	Open Fund		Combined Fund
	£'000	DB Section £'000	DC Section £'000	£'000
Income from bonds	411	10,925	-	11,336
Net rents from properties	-	3,218	-	3,218
Income from pooled investment vehicles	377	2,042	-	2,419
Annuity income	11,153	-	-	11,153
Derivative cost	-	(1,228)	-	(1,228)
Interest on cash deposits	4	240	-	244
Interest paid under repurchase agreements	-	(1,416)	-	(1,416)
Underwriting commission	-	(1)	-	(1)
	£11,945	£13,780	£-	£25,725

2015	Closed Fund	Open Fund		Combined Fund
	£'000	DB Section £'000	DC Section £'000	£'000
Income from bonds	397	8,196	-	8,593
Net rents from properties	-	3,543	-	3,543
Income from pooled investment vehicles	422	2,191	-	2,613
Annuity income	11,450	-	-	11,450
Derivative cost	-	(1,872)	-	(1,872)
Interest on cash deposits	4	232	-	236
Interest paid under repurchase agreements	-	(1,372)	-	(1,372)
	£12,273	£10,918	£-	£23,191

Net rents from properties is stated after deducting £200,000 (2015 - £126,000) of property related expenses. Income related to derivative costs and interest paid under repurchase agreements is included in the related income categories.

12 Investment managers' fees

2016	Closed Fund	Open Fund		Combined Fund
	£'000	DB Section £'000	DC Section £'000	£'000
Administration, management and custody	36	1,086	-	1,122
Advisory	13	86	1	100
Performance measurement service	19	44	9	72
	£68	£1,216	£10	£1,294

2015	Closed Fund	Open Fund		Combined Fund
	£'000	DB Section £'000	DC Section £'000	£'000
Administration, management and custody	30	1,184	-	1,214
Advisory	9	109	20	138
Performance measurement service	16	41	8	65
	£55	£1,334	£28	£1,417

13 Taxation

The ITB Pension Funds is a Registered Pension Scheme under Chapter 2 of Part IV of the Finance Act 2004. The Scheme is therefore exempt from income tax and capital gains tax. The tax charge in the Revenue Account represents irrecoverable withholding taxes arising on investment income.

14 Reconciliation of investments

	Value at 31 March 2015 £'000	Purchases at cost £'000	Sales proceeds £'000	Change in market value £'000	Value at 31 March 2016 £'000
Closed fund					
Bonds	22,061	-	-	(253)	21,808
Pooled investment vehicles (note 15)	51,062	1,241	(7,096)	(2,668)	42,539
Insurance policy (note 17)	134,200	6,900	(35)	(16,716)	124,349
	£207,323	£8,141	£(7,131)	£(19,637)	£188,696
Cash	948				152
Other investment balances (note 19)	105				106
	£208,376				£188,954
Open fund - DB Section					
	Value at 31 March 2015 £'000	Purchases at cost & derivative payments £'000	Sales proceeds & derivative receipts £'000	Change in market value £'000	Value at 31 March 2016 £'000
Bonds	606,732	263,608	(201,925)	12,644	681,059
Property	58,148	700	(2,915)	3,002	58,935
Pooled investment vehicles (note 15)	455,745	27,335	(51,163)	(13,014)	418,903
Derivatives (note 16)	(7,008)	1,311	(4,640)	(6,695)	(17,032)
AVC investments (note 18)	1,278	92	(175)	(16)	1,179
	£1,114,895	£293,046	£(260,818)	£(4,079)	£1,143,044
Cash	48,568				53,807
Other investment balances (note 19)	(210,483)				(260,433)
	£952,980				£936,418
Open fund - DC section					
	Value at 31 March 2015 £'000	Purchases at cost £'000	Sales proceeds £'000	Change in market value £'000	Value at 31 March 2016 £'000
Pooled investment vehicles (note 15)	2,555	£2,015	£(328)	£40	4,282
Other investment balances (note 19)	13				7
	£2,568				£4,289

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

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 Funds do not invest in any of the Participating Employers' businesses.

Apart from the Closed Fund Insurance policy, there are no other individual investments in which more than 5% of the total value of the net assets of the Funds is invested.

Notes to the Financial Statements

for the year ended 31 March 2016

15 Pooled investment vehicles

2016	Closed Fund	Open Fund		Combined Fund
	£'000	DB Section £'000	DC Section £'000	£'000
Equities	19,299	142,603	2,719	164,621
Bonds	5,086	80,029	35	85,150
Property	-	8,659	-	8,659
Diversified	18,154	187,612	1,502	207,268
Cash	-	-	26	26
	£42,539	£418,903	£4,282	£465,724

2015	Closed Fund	Open Fund		Combined Fund
	£'000	DB Section £'000	DC Section £'000	£'000
Equities	24,443	158,629	1,146	184,218
Bonds	4,994	77,799	25	82,818
Property	-	15,970	-	15,970
Diversified	21,625	203,347	1,373	226,345
Cash	-	-	11	11
	£51,062	£455,745	£2,555	£509,362

16 Derivatives - Open Fund

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 2016 the open arrangements may be summarised as follows:

	2016		2015	
	Asset £'000	Liabilities £'000	Asset £'000	Liabilities £'000
Swaps	532,602	(548,125)	373,249	(380,257)
Swaption	-	(1,492)	-	-
Futures	-	(17)	-	-
	£532,602	£(549,634)	£373,249	£(380,257)

Swaps

Type	Base	Settlement	Asset value £'000	Liability value £'000
Asset swap	ASSW	2020 – 2050	9,956	(70,523)
Interest rate swap	IRSW	2016 – 2065	416,335	(366,310)
Retail prices index swap	UK RPI	2016 – 2063	102,977	(105,873)
Limited price index swap	UK LPI	2017 – 2058	3,334	(5,419)
Total 2016			£532,602	£(548,125)
Total 2015			£373,249	£(380,257)

The contracts are traded over the counter. The counterparties for all the swaps are banks. At 31 March 2016 the Funds had received collateral of £73,824,869 and pledged collateral of £90,403,632 in a mixture of cash and bonds. This collateral is not reported within the Scheme's net assets.

16 Derivatives - Open Fund (cont'd)

Swaption

During the year the Fund sold an option for £2.75m to enter into a 30 year par interest rate swap which would begin on 17 September 2020. If interest rates are materially higher on 17 September 2020 than was expected at the outset the option will be taken up by the purchaser and an extra £100m of the Fund's liabilities will be hedged. The market value of buying back the option at the year-end, excluding transaction costs, was £1.49m.

Future

The amount disclosed represents the unrealised loss on a gilt future due for settlement in June 2016.

17 Insurance policy - Closed Fund

The insurance policy is a bulk annuity policy (also known as a "buy-in") with Pensions Insurance Corporation PLC ("PIC") to secure the benefits of Closed Fund members. 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 66% (2015 - 64%) of the value of the Closed Fund and 11% (2015 - 12%) of the total combined assets of the Funds.

18 Additional Voluntary Contribution (AVC) investments

Member credited service

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

Money purchase schemes

The Trustees hold assets invested separately from the Funds to secure additional benefits on a money purchase basis for those members electing to pay AVCs. Members participating in this arrangement each receive an annual statement confirming the amounts held in their account and the movements in the year. The aggregate amounts of AVC investments are as follows:

	2016 £'000	2015 £'000
Open Fund - DB Section		
Royal London	254	263
Prudential Assurance Company	155	185
Legal & General	770	830
	£1,179	£1,278

Notes to the Financial Statements

for the year ended 31 March 2016

19 Pooled investment vehicles

2016	Closed Fund £'000	Open Fund DB Section £'000	DC Section £'000	Combined Fund £'000
Assets:				
Amounts due from brokers	-	32	7	39
Investment revenue receivable	106	4,466	-	4,572
Margin debtor	-	17	-	17
	£106	£4,515	£7	£4,628
Liabilities:				
VAT	-	127	-	127
Repurchase agreements	-	264,821	-	264,821
	£-	£264,948	£-	£264,948
Net investment balances	£106	£(260,433)	£7	£(260,320)
2015				
Assets:				
Amounts due from brokers	-	130	13	143
Investment revenue receivable	105	1,949	-	2,054
Income tax receivable	-	4	-	4
Reverse repurchase agreements	-	24,517	-	24,517
	£105	£26,600	£13	£26,718
Liabilities:				
VAT	-	138	-	138
Repurchase agreements	-	236,945	-	236,945
	£-	£237,083	£-	£237,083
Net investment balances	£105	£(210,483)	£13	£(210,365)

Repurchase agreements

At the year-end amounts payable under repurchase agreements were due over the period April to June 2016. During this period further repurchase agreements were entered into. The counterparties for all the repurchase agreements are banks. At the year-end they held as collateral gilts to a value of £265,912,901 which are reported in Funds assets.

20 Investment Fair Value Hierarchy

The fair value of financial instruments has been determined using the following fair value hierarchy:

- Level 1** The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2** Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
- Level 3** Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

The Scheme's investment assets and liabilities have been fair valued using the above hierarchy categories as follows:

At 31 March 2016

Closed fund	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Bonds	-	21,808	-	21,808
Pooled investment vehicles	-	42,539	-	42,539
Insurance policies	-	-	124,349	124,349
Cash	152	-	-	152
Other investment balances	106	-	-	106
	£258	£64,347	£124,349	£188,954

Open fund - DB Section	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Bonds	-	681,059	-	681,059
Property	-	-	58,935	58,935
Pooled investment vehicles	-	410,244	8,659	418,903
Derivatives	(17)	-	(17,015)	(17,032)
AVC investments	476	548	155	1,179
Cash	53,807	-	-	53,807
Other investment balances	4,372	(264,805)	-	(260,433)
	£58,638	£827,046	£50,734	£936,418

Open fund - DC Section	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Pooled investment vehicles	26	4,256	-	4,282
Other investment balances	7	-	-	7
	£33	£4,256	£-	£4,289

Notes to the Financial Statements

for the year ended 31 March 2016

20 Investment Fair Value Hierarchy (cont'd)

At 31 March 2015

Closed fund	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Bonds	-	22,061	-	22,061
Pooled investment vehicles	-	51,062	-	51,062
Insurance policies	-	-	134,200	134,200
Cash	948	-	-	948
Other investment balances	105	-	-	105
	£1,053	£73,123	£134,200	£208,376

Open fund - DB Section	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Bonds	-	606,732	-	606,732
Property	-	-	58,148	58,148
Pooled investment vehicles	-	439,775	15,970	455,745
Derivatives	-	-	(7,008)	(7,008)
AVC investments	470	623	185	1,278
Cash	48,568	-	-	48,568
Other investment balances	1,944	(212,427)	-	(210,483)
	£50,982	£834,703	£67,295	£952,980

Open fund - DC Section	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Pooled investment vehicles	11	2,544	-	2,555
Other investment balances	13	-	-	13
	£24	£2,544	£-	£2,568

21 Investment risks

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 as follows:

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk comprises currency risk, interest rate risk and other price risk, defined as follows:

- Currency risk is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- Interest rate risk is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- Other price risk is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Trustees determine the Funds' investment strategy after taking advice from a professional investment adviser. The Funds have exposure to these risks because of the investments held to implement the investment strategy.

21 Investment risks (cont'd)

Within each investment portfolio, investment objectives and restrictions to manage risk are implemented through the agreements in place with the Funds' investment managers. The Trustees monitor the performance of the strategy and associated risks, and each investment manager against its objectives and restrictions, regularly.

Further information on these risks and the Trustees approach to risk management is set out below. This does not include AVC investments, as these are not considered significant in relation to the overall investments of the Funds.

Open Fund Defined Benefit Section and Closed Fund

Credit risk

The Funds are subject to credit risk because the Funds invest directly in bonds and have cash balances. The Open Fund has further exposure to credit risk because it invests in OTC derivatives and enters into repurchase agreements. The Closed Fund is also directly exposed to credit risk in relation to its "buy-in" insurance policy with Pensions Insurance Corporation. Both Funds also invest in pooled investment vehicles and are, therefore, directly exposed to credit risk in relation to the investments held in pooled investment vehicles. The Funds are indirectly exposed to credit risks arising on the financial instruments held within the pooled investment vehicles.

Credit risk arising on bonds held directly is mitigated by investing in government bonds where the credit risk is minimal, or corporate bonds which are rated at least investment grade.

Cash is held within financial institutions which are at least investment grade credit rated.

Credit risk arising on derivatives depends on whether the derivative is exchange traded or over the counter (OTC). OTC derivative contracts are not guaranteed by any regulated exchange and therefore the Open Fund is subject to risk of failure of the counterparty. The credit risk for OTC swaps is reduced by collateral arrangements (see note 16). Credit risk on repurchase agreements is mitigated through collateral arrangements as disclosed in note 19.

In the case of the buy-in insurance policy, the credit risk is mitigated as a result of the protections in place under the UK insurance regime. The regime is intended to protect policyholders by ensuring insurance companies are adequately capitalised, to minimise the risk of not being able to meet their obligations.

Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements. The Trustees carry out due diligence on the appointment of the new pooled investment managers and on an ongoing basis monitor any changes to the operating environment of the pooled manager. Pooled investment arrangements used by the Funds comprise unit linked insurance contracts and authorised unit trusts.

The Funds are indirectly exposed to credit risks arising from the underlying investments held by the pooled investment vehicles, where they invest in bonds, derivatives or cash. The amount invested in each of these mandates is shown in note 14. The managers of these pooled investment vehicles manage credit risk by having a diversified exposure to bond issuers, conducting thorough research on the probability of default of those issuers, and having only a limited exposure to bonds rated below investment grade. The magnitude of credit risk within each fund will vary over time, as the manager changes the underlying investments in line with its views on markets, asset classes and specific bonds.

Currency risk

The Funds are subject to currency risk because some of the Funds' investments are held in overseas markets within pooled investment vehicles, however the only pooled investment vehicle denominated in an overseas currency is the European property fund (£8.7m, 2015: £10.5m). The exposure to foreign currencies within the pooled investment vehicles will vary over time as the manager changes the underlying investments, but is not expected to be a material influence on returns over the long-term. For the multi-asset pooled investment vehicles, decisions about the exposure to foreign currencies are at the discretion of the fund managers.

The Trustees consider the overseas currency exposure in the context of the overall investment strategy, and believe that the currency exposure that exists is appropriate. Furthermore, the Trustees manage the amount of currency risk by investing in pooled funds that hedge some or all of their currency exposure, and have implemented a separate currency hedging arrangement to mitigate currency risk in equity funds that do not hedge currency risk. Even where currency hedging arrangements are in place, there will still be residual currency risks, as these hedging arrangements may not be perfectly aligned to the risks.

Notes to the Financial Statements

for the year ended 31 March 2016

21 Investment risks (cont'd)

Interest rate risk

The Funds are subject to interest rate risk because some of the Funds' investments are held in bonds, interest rate swaps and cash (the liability driven investment "LDI" assets). In the Open Fund the Trustees have set a benchmark for hedging interest rate risk of 80% of liabilities. Under this strategy, if interest rates fall, the value of bonds and swaps will rise to help match the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, the LDI assets will fall in value, as will the actuarial liabilities because of an increase in the discount rate. Therefore, the interest rate exposure of these assets is structured to hedge the corresponding risks associated with the Funds' liabilities. The net effect is to reduce the volatility of the funding level of the Open Fund, and so the Trustees believe that it is appropriate to take exposures to these risks in this manner. At the year-end the LDI assets represented 56% of the Open Fund investment portfolio (2015: 53%). In the Closed Fund the buy-in insurance policy mitigates all interest rate risk arising from the Closed Fund's liabilities.

Some of the underlying assets within the multi-asset pooled investment vehicles are exposed to interest rate risk. However, this is at the discretion of the respective fund managers.

Other price risk

Other price risk arises principally in relation to the Funds' return seeking assets, which includes equities and alternative growth assets held in pooled investment vehicles and investment properties. The Open Fund has a target asset allocation of 48% of investments being held in return seeking investments and a plan to reduce this allocation if certain funding level targets are met. The Fund manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

Open Fund Defined Contributions Section

Credit Risk

The Open Fund Defined Contribution Section (DC Section) is subject to direct credit risk in relation to Legal & General Assurance Society Limited through its holding in unit linked insurance funds provided by Legal & General Assurance Society Limited.

Legal & General Assurance Society Limited is regulated by the Financial Conduct Authority and maintains separate funds for its policy holders. The Trustees monitor the creditworthiness of Legal & General Assurance Society Limited by reviewing published credit ratings. Legal & General Assurance Society Limited invests all the Fund's investments in its own investment unit linked funds and it does not use other investment funds or reinsurance arrangements. In the event of default by Legal & General Assurance Society Limited the Fund is protected by the Financial Services Compensation Scheme.

The DC Section is also subject to indirect credit and market risk (including interest rate risk) arising from the underlying investments held in the funds. Member level risk exposures will be dependent on the funds invested in by members.

At the Fund year-end the Bond, Cash and Diversified Growth funds were exposed to underlying credit risk.

Market Risk

The DC Section is subject to indirect foreign exchange, interest rate and other price risk arising from the underlying financial instruments held in the funds managed by Legal & General Assurance Society Limited.

The Equity funds are exposed to foreign exchange and other price risks. The Bond funds are exposed to interest rate risk. The Cash fund is exposed to foreign exchange and interest rate risk. The Diversified Growth funds are exposed to foreign exchange risk, interest rate risk and other price risk.

22 Fixed assets

Open fund - DB Section	Cost £'000	Depreciation £'000
Balance at 1 April 2015	273	227
Additions	2	-
Depreciation charge	-	24
Balance at 31 March 2016	£275	£251
Net book value at 31 March 2016	£24	
Net book value at 31 March 2015	£46	

23 Current assets

2016	Closed Fund £'000	Open Fund DB Section £'000	DC Section £'000	Combined Fund £'000
Bank balances	407	1,516	290	2,213
Debtors:				
Amounts due from employers				
Employer contributions	-	475	14	489
Employer augmentation contributions	-	1,306	-	1,306
Employee contributions	-	18	-	18
Other debtors	1	25	-	26
External current assets	408	3,340	304	4,052
Interfund balance	-	29	-	29
Individual Funds' current assets	£408	£3,369	£304	£4,081

2015	Closed Fund £'000	Open Fund DB Section £'000	DC Section £'000	Combined Fund £'000
Bank balances	308	1,014	134	1,456
Debtors:				
Amounts due from employers				
Employer contributions	-	585	9	594
Employee contributions	-	22	3	25
Other debtors	-	46	-	46
External current assets	308	1,667	146	2,121
Interfund balance	-	25	-	25
Individual Funds' current assets	£308	£1,692	£146	£2,146

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

Notes to the Financial Statements

for the year ended 31 March 2016

24 Current liabilities

2016	Closed Fund £'000	Open Fund		Combined Fund £'000
		DB Section £'000	DC Section £'000	
Other	188	1,029	21	1,238
External current liabilities	188	1,029	21	1,238
Interfund balance	23	-	6	29
Individual Funds' current liabilities	£211	£1,029	£27	£1,267

2015	Closed Fund £'000	Open Fund		Combined Fund £'000
		DB Section £'000	DC Section £'000	
Unpaid benefits	-	130	-	130
Other	185	796	14	995
External current liabilities	185	926	14	1,125
Interfund balance	22	-	3	25
Individual Funds' current liabilities	£207	£926	£17	£1,150

25 Related party transactions

Certain of the Trustees are members of the pension scheme either as active or pensioner members. Their contributions and benefits, as appropriate, are paid in accordance with the Scheme Rules.

Trustees honoraria are disclosed in note 10.

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 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

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 pension 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: 0300 123 1047

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
Telephone: 020 7630 2200

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, Renaissance,
12 Dingwall Road, Croydon, Surrey CR0 2NA

Website: www.pensionprotectionfund.org.uk

Email: information@ppf.gsi.gov.uk

Telephone: 0330 123 2222

'Pension Wise'

Pension Wise only provides guidance on defined contribution (DC) pensions. It cannot answer specific questions about your pension. For independent help you can contact the Pensions Advisory Service www.pensionsadvisoryservice.org.uk or the Money Advice Service www.moneyadviceservice.org.uk

Pension Wise is a free government service delivering free, impartial, broad guidance to defined contribution (DC) pension holders to help them make sense of their options at retirement. The service is operated through the Citizens Advice Bureau and the Pensions Advisory Service and is available on-line, over the phone or by appointment. See www.pensionwise.gov.uk for further details. However, none of this guidance is regulated by the Financial Conduct Authority and is not intended to replace independent financial advice.

Independent Financial Advice

An Independent Financial Adviser (IFA) can for a fee provide more detailed advice taking account of individual financial circumstances. The IFA directory can be accessed at www.unbiased.co.uk/pensions

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: The Pension Service 9, Mail Handling Site A, Wolverhampton, WV98 1LH
Website: www.pensiontracingservice.com
Telephone: 0800 027 1300

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).

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: 0300 2003300
Open Fund Reference: 073/11012A
Closed Fund Reference: 073/11012

Age UK

Age UK is the country's largest charity dedicated to helping everyone make the most of later life.

Website: www.ageuk.org.uk
Telephone: 0800 169 6565

The Money Advice Service

Provides free and impartial money advice, set up by Government.

Website: www.moneyadviceservice.org.uk
Telephone: 0300 500 5000

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.itb-online.co.uk

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
Scheme Reference No. 10169800



The ITB Pension Funds

23 King Street, Watford, Herts, WD18 0BJ

Telephone: 01923 226 264

Website: www.itb-online.co.uk

In association with

CAPITB Ltd



Cogent skills
for science industries



LANTRA
Helping you comply



people1st

