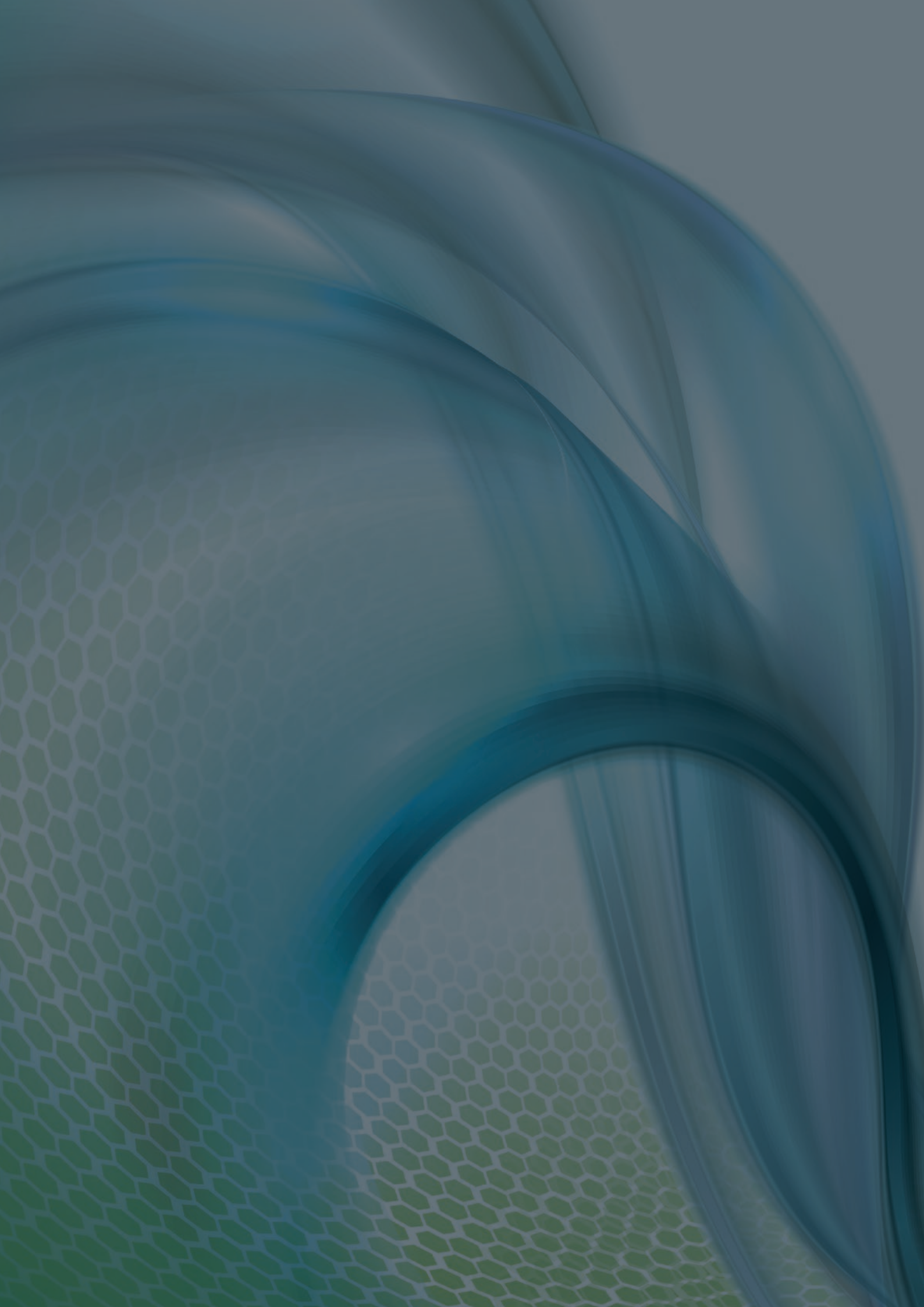




The ITB Pension Funds

YOUR SCHEME
WORKING
FOR YOUR
FUTURE

The ITB Pension Funds Trustees'
Annual Report & Financial Statements
2016/17



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Chairman's Review



The scheme year ending 31 March 2017 has once again seen a number of noteworthy events that will either directly or indirectly affect the ITB Pension Funds.

The first matter I want to mention is Jonathan Swift standing down as both a Trustee and Chairman of the ITB Pension Funds effective 31 March 2017. Jonathan has been a Trustee since 1 April 2002 and the Chairman since 1 April 2012. As I take over the responsibilities of the Chairman, I would like to pay tribute to Jonathan for the integrity and dedication he brought to the role. Under his stewardship, the Trustee Board was able to deal successfully with the numerous challenges the Funds faced over recent years, many of which have stemmed from legislative or financial sources. He leaves the ITB Pension Funds in a good position. On behalf of the Trustee Board, the staff and members of the ITB Pension Funds I wish Jonathan a long and happy retirement.

There have also been numerous important external events, many of them a surprise to the politicians and pundits who are paid to comment on such matters. In June 2016, the UK voted in a referendum to leave the European Union. This had considerable and widespread implications for UK politics and economics, both in the long and short term as the value of the pound fell sharply, along with long term interest rates. However, having fallen in value in the days immediately after the referendum result, UK equities staged a significant and relatively long lasting rally ending the scheme year at impressive levels, contributing to a strong investment return for the year.

A further notable effect of the referendum result was the resignation of David Cameron as Prime Minister, to be replaced by Theresa May as part of a sequence of events resulting in her triggering Article 50 to start the process of leaving the EU and calling a general election for 8 June 2017.

The result of the election saw a Conservative Government returned to power, now faced with a number of significant challenges, not least of which is the need to negotiate Britain's exit from the EU.

It is against this background that the ITB Pension Funds saw a number of significant internal developments, some of which I will highlight below, with further information contained in the main body of the report.

Actuarial

You may be aware from media coverage that defined benefit pension schemes face a challenging environment. The issues to be dealt with are varied, but they include historically low long term interest rates and increasing life expectancy. The latter is good news for individuals, but puts a strain on pension schemes because pensions have to be paid for longer than previously assumed.

During the year the Trustees, the Watford Funds' Office and a number of our advisers, were involved in completing the formal triennial valuation of the Open Fund as at 31 March 2016. A formal valuation is the process by which the financial health of a pension scheme is assessed and future contribution requirements determined. The valuation was conducted by the Scheme Actuary, Martin Clarke of the Government Actuary's Department (GAD), who advises the Trustees on assumptions about factors such as long term interest rates, membership mortality rates and the return on the Funds assets, to estimate if the Open Fund will be able to provide all the current and future benefits due to be paid.

The outcome of the previous valuation as at 31 March 2013 was that the Fund had a deficit which required most of the employers to pay deficit reduction contributions in addition to the normal ongoing contributions.

However, as a result of a combination of these deficit reduction payments along with positive investment returns, plus CITB moving its staff to the DC Section for future service, I am pleased to report that the 31 March 2016 valuation has disclosed a small surplus. Against a background of continuing low interest rates and the majority of other DB schemes remaining in deficit, this is a very positive development. As at the 2016 valuation date, the DB Section of the Open Fund was once again more than fully funded on an ongoing basis.

Open Fund Defined Benefit (DB) Investment Strategy

The Trustees have a policy of seeking to de-risk the Open Fund's investment strategy over the next 15 years or so and to move to a position where the Fund has sufficient lower risk assets to pay the benefits as they fall due, without requiring contributions from the employers.

In line with this strategy the Open Fund (DB Section) was able to move assets from higher risk categories to lower risk, liability matching investments on two occasions during the scheme year. Consequently, the de-risking strategy is now ahead of schedule and well on track to achieve the long-term target.

The Trustees, along with their investment advisers, are constantly seeking opportunities to increase the security of benefit payments from the Fund given the uncertainty of markets and increasing life expectancies.

We have taken professional advice on the best ways to protect the Fund and improve benefit security. The advice from our advisers during the year was that there were market opportunities to invest in annuities from an insurance company and to hold them alongside the Fund's other investments. Using this approach, the Trustees are still responsible for paying members pensions, but the risk of paying pensions longer than previously assumed will be insured, this is called a "buy-in". Indeed, the Trustees have already successfully used a similar approach in 2011 to significantly improve security for the ITB Closed Fund.

I can report that, following a rigorous selection process, in October 2016 the Trustees purchased two annuity policies for the Open Fund. The first was a medically underwritten policy covering the highest value pensioners with Just Retirement Limited and the second covers a portion of the remaining pensioners with Pension Insurance Corporation.

The Defined Contribution (DC) Section

In recent years, most ITB employers have changed their policy on pension provision by only offering new employees membership of the Open Fund DC Section. During the scheme year, the majority of the employers have undergone a process of consultation and agreement with their existing DB Section members to move them to the DC Section for future service. The effect of this is that there are now very few active members in the DB Section of the Open Fund, with most members now accruing future benefits in the DC Section. The members affected will have been advised by their employer of the terms of the move to the DC Section.

The ITB Open Fund employers are following a well-established trend, as the UK has seen a significant move from DB to DC pension provision in recent years and in line with this, greater regulatory attention has focused on DC pension arrangements.

In July 2016, the Pensions Regulator issued a revised version of the DC Code of Practice – setting out the requirements and standards of governance and administration that Trustees of occupational DC schemes are recommended to attain. The Trustees assessed the Open Fund against the requirements of the revised Code and were pleased to conclude that the Fund was compliant with all of the key recommendations.

The Closed Fund

The last formal Closed Fund actuarial valuation was in 2015 and the next one will be as at 31 March 2018.

However, every year the Government Actuary's Department conduct an interim review to check that the financial position of the Closed Fund has not changed to the extent that action is required. GAD is in the process of conducting the 2017 review, but I can report that the last completed review as at 31 March 2016 confirmed the Fund to be in good financial shape and well positioned to provide members with all their promised benefits.

Employer Covenant

For the ITB Trustees the strength of the employers' covenant is an important factor when formulating decisions about the appropriate actuarial assumptions and investment strategy for the Open Fund DB Section. As it is such a key element of our risk assessment process, we have appointed an independent firm to advise on covenant strength and to report to us on each employer's financial position and business prospects. We work hard to understand the issues confronted by our sponsoring employers as they react to the economic and business environment. An important activity for the Trustees is to monitor their ability to meet their funding obligations to the Fund.

We reported last year that the Industrial Training Boards, CITB and ECITB, were in discussions with Government about how the apprenticeship levy proposals will affect their operations. CITB's covenant is important as it is by far the largest employer participating in the ITB Pension Funds.

Chairman's Review

However, during the year the Government announced a review of the future role of CITB and ECITB. The Trustees felt it was important that any decisions regarding the future of the two ITBs are made with a clear understanding of the implications for the ITB Pension Funds and so with this in mind, we wrote to the relevant department conducting the review. Our input was welcomed by Government and we await future developments.

Skills for Logistics

It was reported last year that one employer, Skills for Logistics, had ceased trading and gone into liquidation. This action triggered a Section 75 debt of £2.1m; essentially the amount required from the company to meet its share of the Fund's unfunded benefit obligations. The liquidators are continuing to attempt to recover as much as possible of the company's debt to the ITB Pension Funds and other creditors. As is frequently the case with insolvent liquidations, there are a number of complex legal and financial issues to be resolved before the case is completed. However, from the information we have received to date, the Fund is likely to receive only a relatively small percentage of what it is owed.

Trustees

The breadth of business experience, skills and diversity of thought on the Trustee Board makes a real and positive contribution to the success of our decision making on the varied and complex issues the Trustees have to contend with. I am, therefore, grateful for the support and input of my fellow Trustees.

While I have already mentioned Jonathan Swift's departure from the Trustee Board, a number of my other colleagues have also left during the scheme year or shortly afterwards. These include; Simon Tarr, the employer nominated Trustee for People 1st, Rob Sweeney the member nominated Trustee for CITB, Roisin Boyer the member nominated Trustee for People 1st and Phillip Jeffries the member nominated Trustee for ECITB.

I would like to formally thank them all for their service and contribution over the years that they acted as Trustees and wish them well for the future.

I also welcome to the Trustee Board the new Trustees replacing those leaving; Nigel Titchen as the employer member Trustee for Lantra and Brian Wisdom, the employer nominated Trustee

for People 1st. We are also in the process of completing the appointments of new member nominated Trustees for CITB, ECITB and People 1st.

Governance

The ITB Trustees have long regarded the subject of governance as a high priority. The operation and authority delegated to the three key trustee sub-committees; the Management Panel, the Investment Committee and the Salaries Committee, is reviewed regularly.

The question of conflicts of interest is likewise taken very seriously and is the first item of business at every Trustee Board and sub-committee meeting. We have a clear policy for identifying and managing conflicts that all my fellow Trustees are aware of and support.

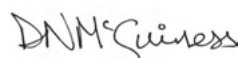
Funds' Staff

The Funds' Office Chief Executive and Director, Vincent Gordon, and the rest of the team at the Funds' Office once again made a significant contribution to our operational success. The team strive for high standards of management and administration to provide the desired level of service to all members of the Trustee Board, the Funds' employers and to you the members, active, retired or yet to draw benefits. On behalf of my fellow Trustees I would like to thank the team for their support.

Outlook

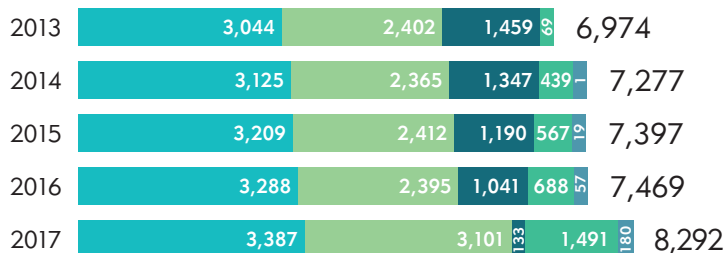
The Trustees feel that this past scheme year has again been an eventful one and this current year looks likely to continue in a similar vein. Political and economic uncertainty continues to influence markets and the general environment in which the Funds have to operate but we shall continue to monitor and review our investment strategy with a focus on achieving our long-term self-sufficiency target.

Many of the issues we will have to deal with are externally generated and completely outside of our control. Nonetheless, the ITB Pension Funds can approach these challenges in the best financial shape we have been in for many years.

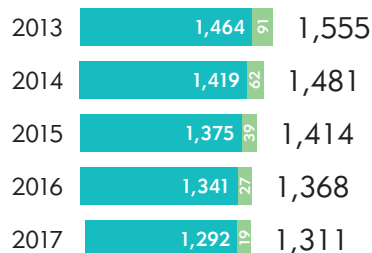


David Newell McGuinness
30 June 2017

Open Fund - Membership

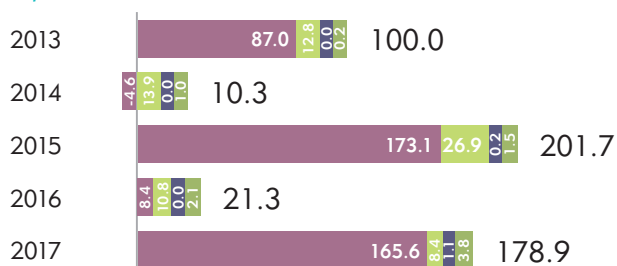


Closed Fund - Membership

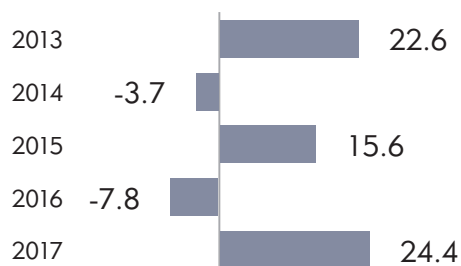


KEY: PENSIONERS & DEPENDANTS DEFERRED (DB) ACTIVE (DB) ACTIVE (DC) DEFERRED (DC)

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

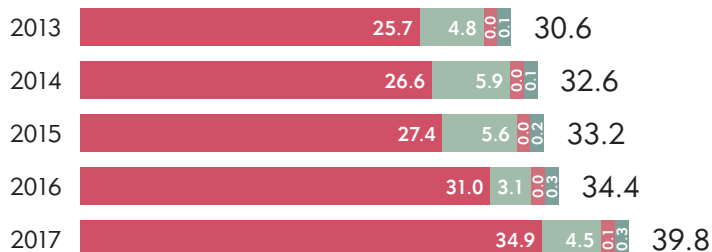


Closed Fund - Income (£m)

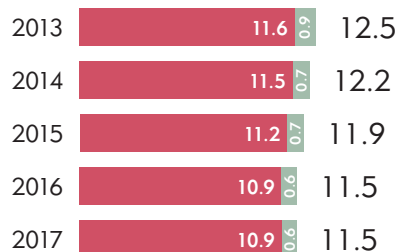


KEY: INVESTMENT (DB) CONTRIBUTIONS (DB) INVESTMENT (DC) CONTRIBUTIONS (DC) INVESTMENT CLOSED FUND

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

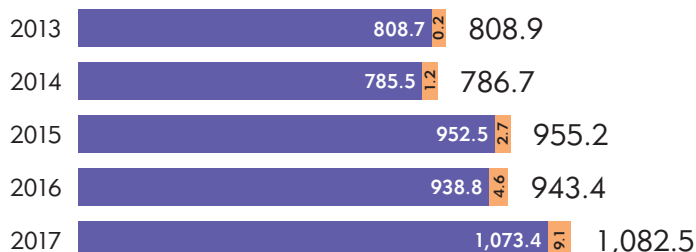


Closed Fund - Expenditure (£m)



KEY: PENSIONS (DB) OTHER (DB) PENSIONS (DC) OTHER (DC)

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



Closed Fund - Fund Value (£m)



KEY: OPEN FUND (DB SECTION) OPEN FUND (DC SECTION) CLOSED FUND

Board of Trustees

as at 31 March 2017

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)

CAPITB Ltd



Terry Lazenby, MBE

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



John McDonald

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



Newell McGuinness

(Chairman from
1 April 2017)

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 to
31 March 2017)

Nominated by:
Lantra
(Retired Deputy Chairman
of Lantra)



Brian Wisdom

Nominated by:
People 1st
(Former 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)



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)



Sarah Parkin

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

CAPITB Ltd



Jas Sall

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



Robert Tabor

Nominated by:
Lantra
(Director of Lantra Awards)



David Barnett
(Deputy Chairman-
Members)

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

Officers and Advisers

Officers

Chief Executive and Director

Vincent Gordon FPMI

Funds' Accountant

Dave Faulkner FCA (retired May 2016)

Mike Thorpe ACA (appointed June 2016)

Pensions Administration Manager

Chris Bettles DipPMI

Advisers

Actuary

Martin Clarke FIA Government Actuary's Department

Auditor

Moore Stephens LLP

Covenant Adviser

CVR Global LLP

Investment Adviser and Performance Monitor

Lane Clark & Peacock LLP

Solicitors

Mayer Brown International LLP

Investment Managers

Allianz Global Investors GmbH

BlackRock Investment Management (UK) Ltd

Capital International Portfolios

Fidelity International

Fletcher King

GMO Funds PLC

Insight Investment Management (Global) Ltd

Investec Asset Management Ltd

Just Retirement Ltd (appointed 11 October 2016)

Legal & General Assurance Society Ltd

(DC Section and AVCs)

Longview Partners Investments (terminated

14 December 2016)

Pension Insurance Corporation PLC

Prudential Retirement Income Ltd (AVCs)

Royal London Mutual Insurance Society Ltd (AVCs)

Ruffer LLP

Schroder Investment Management (Luxembourg) S.A.

JP Morgan Chase Bank NA

The Bank of New York Mellon (International) Ltd

Custodians



Vincent Gordon
FPMI



Chris Bettles
DipPMI



Mike Thorpe
ACA

The Participating Employers comprise two Statutory Training Boards, CITB and ECITB, 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.

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

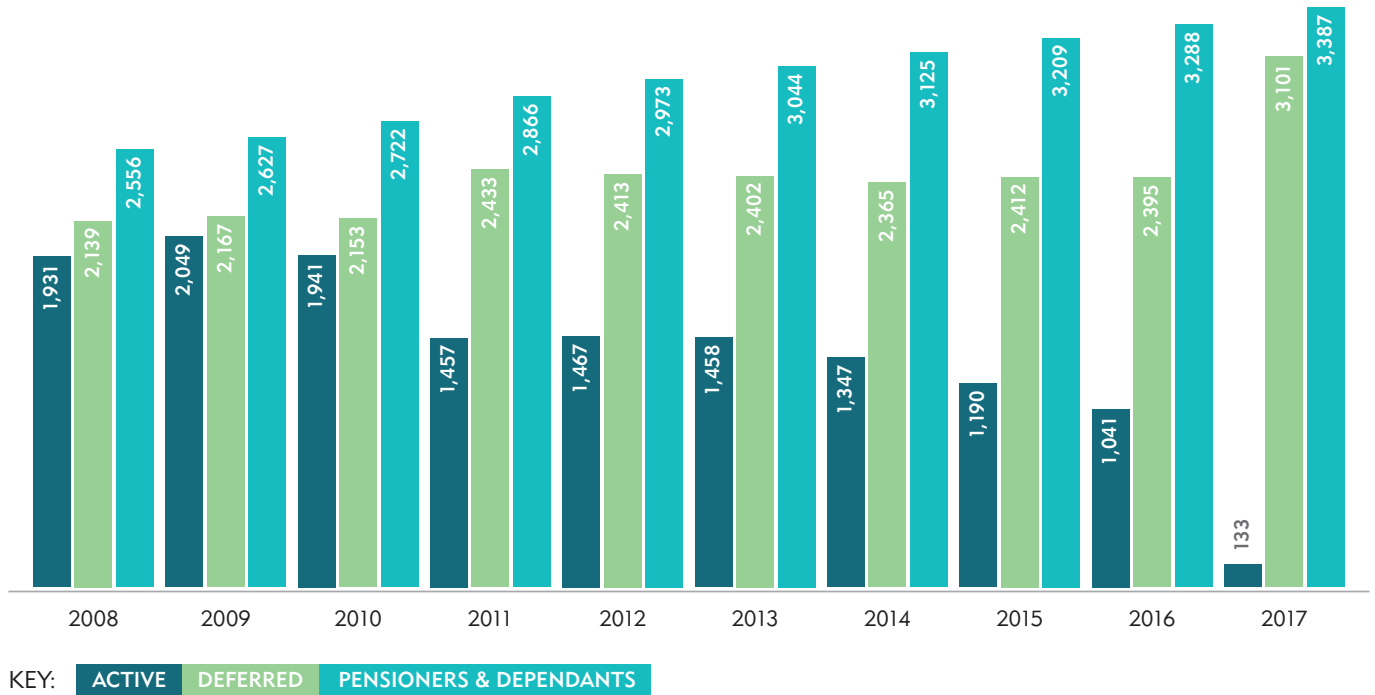
Participating Subsidiaries:

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

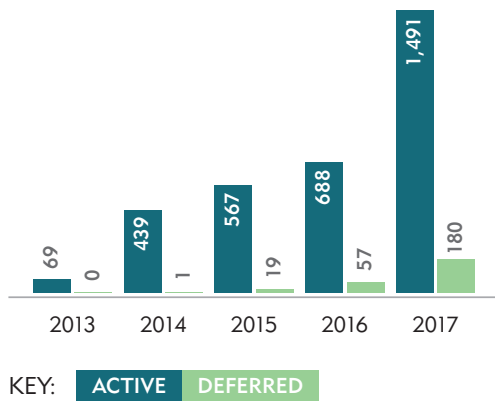
Scottish Electrical Charitable Training Trust

Membership

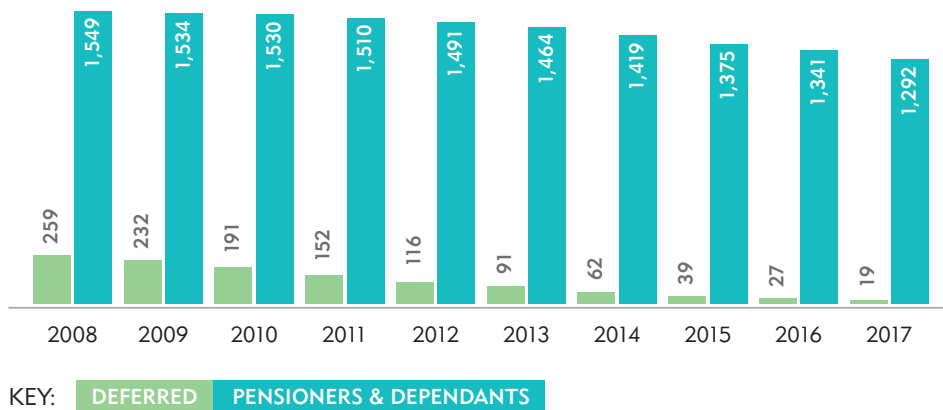
Open Fund DB Section



Open Fund DC Section



Closed Fund



The Trustees present their annual report together with the financial statements for the year ended 31 March 2017. The financial statements have been prepared and audited in accordance with regulations made under sections 41(1) and (6) of the Pensions Act 1995.

Funds Constitution

The ITB Pension Funds, consisting of the Open and Closed Funds, is set up under a Trust Deed and Rules and administered by a Board of Trustees, comprising Member (including Pensioner) Trustees and Employer Trustees. It is a Registered Pension Scheme under Chapter 2 of Part 4 of the Finance Act 2004.

The assets of the Funds are separate from those of its Participating Employers and are held in trust by the Trustees, to apply them for paying pensions and other benefits in accordance with the Trust Deed and Rules.

Funds Structure

The Open Fund consists of four separate sections:

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

Employees of Participating Employers may join the Open Fund subject to eligibility conditions and elections made by Employers. The benefits received by members are determined by elections made by the Employers. Six Employers have elected not to offer further DB benefits from the following dates:

- ECITB from 6 April 2016
- CITB from 1 January 2017
- Lantra from 1 February 2017
- Cogent SSC Ltd (and subsidiaries) and OPITO Ltd from 1 April 2017, and
- People 1st (and subsidiaries) from 1 May 2017.

The Closed Fund has no Participating Employers paying contributions, and it is predominantly invested in an insurance policy intended to match its liabilities.

Trusteeship

Appointment and Removal of Trustees

Normally, based on the current number of Participating Employers, the ITB Pension Funds is 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 8 and 9.

Of the nine Trustees nominated by Employers, the two Statutory Training Bodies each nominate one Trustee. Of the remaining Employers, the six with the largest average number of active 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 for the purpose of Trustee nomination and, if necessary, tally their combined membership for qualification.

The remaining Employers not large enough to appoint a Trustee on their own will co-operate in nominating a Joint Employers' Trustee. However, the only Employer that currently falls into the smaller Employer category under the Rules is CAPITB.

Active 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 negotiating terms and conditions of service. The Trade Union concerned then nominates the Trustee. The active members of all remaining Employers elect one further Joint Members' Trustee by ballot.

All Trustees 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 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.

Open Fund pensioners and members with preserved pensions, who are not also active members of the DC Section, 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.

To comply with the Charges & Governance Regulations 2015, the Funds' Employer Trustees must be appointed by an open and transparent process (OTP). Consequently, any appointment or re-appointment of an Employer's Trustee of the Funds will be undertaken under an OTP and moreover, all newly appointed Trustees will have a maximum tenure of 10 years.

Changes to the Trustees

Employers' Trustees

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.

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.

Simon Tarr, the Employer Trustee for People 1st, resigned as a Trustee on 1 September 2016. Following an OTP Brian Wisdom was appointed on 7 October 2016 to succeed Simon Tarr as Employer Trustee for People 1st.

The period of office of Jonathan Swift (Chairman of Trustees) as Employer Trustee for Lantra ended on 31 March 2017. Following an OTP Lantra nominated Nigel Titchen as its Employer Trustee, who was subsequently appointed as Trustee on 1 April 2017.

Members' Trustees

Reg D'Souza, the Member Trustee for SEMTA left the service of SEMTA on 31 March 2016 and Jas Sall was nominated by the trades union, Unite, to succeed him as Members' Trustee and was appointed 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 Funds' members at Cogent SSC Ltd, Martin McManus was appointed as Members' Trustee on 1 July 2016.

Rob Sweeney, the Member Trustee for CITB, left the service of CITB and resigned as a Trustee on 8 March 2017. David Wake was nominated by the trades union, Unite, to succeed him as a Members' Trustee and was appointed on 30 June 2017.

Roisin Boyer, the Member Trustee for People 1st, left the service of People 1st and resigned as a Trustee on 30 April 2017. Arrangements are being made to appoint a replacement.

Phillip Jefferies, the Member Trustee for ECITB, left the service of ECITB and resigned as a Trustee on 21 July 2017. Arrangements are being made to appoint a replacement.

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.

Chairman of Trustees

In the nomination process for Chairman of Trustees to succeed Jonathan Swift, Newell McGuinness, the Employer Trustee for SECTT, stood unopposed and was appointed Chairman as of 1 April 2017.

Meetings

Trustees normally meet at least four times a year.

Committees

The Trustees have appointed the following committees – an Investment Committee, a Management Panel and a Salaries Committee. The Investment Committee meets at least four times a year. The Management Panel meets as frequently as is required by the projects it is delegated to undertake. The Salaries Committee meets at least once a year.

Membership

The membership for the year to 31 March 2017 was as follows:

Open Fund DB Section					
	1 April 2016	Additions	Leavers, Retirements & Transfers	Deaths	31 March 2017
Active Members	1,041	1	(909)	0	133
Deferred Members	2,395	843	(135)	(2)	3,101
Pensioners	2,700	165	0	(76)	2,789
Dependants	588	35	0	(25)	598
Total	6,724	1,044	(1,044)	(103)	6,621

Open Fund DC Section					
	1 April 2016	Additions	Leavers, Retirements & Transfers	Deaths	31 March 2017
Active Members	688	1,006	(202)	(1)	1,491
Deferred Members	57	129	(6)	0	180
Total	745	1,135	(208)	(1)	1,671

Closed Fund					
	1 April 2016	Additions	Retirements	Deaths	31 March 2017
Deferred Members	27	0	(8)	0	19
Pensioners	943	8	0	(40)	911
Dependants	398	13	0	(30)	381
Total	1,368	21	(8)	(70)	1,311

Pension increases

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 level of increase is currently determined by reference to the annual rise in the Consumer Prices 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 Prices 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 was 0.8% and was payable from 11 April 2016.

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: 6 April 1978 to 5 April 1988 by:	Nil	Nil	In line with annual up-rating orders issued by the Government
6 April 1988 to 5 April 1997 by:	Lesser of 3% and the annual up-rating orders issued by the Government	Lesser of 3% and the annual up-rating orders issued by the Government	Any excess over 3% of the annual up-rating orders issued by the Government

*RPI = Retail Prices 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 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 (DB Section) were contracted-out of the Second Tier of the State Pension, known as the State Second Pension (S2P, formerly called SERPS). DC members participated 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.

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.

Transfer values

In accordance with guidance from the Pensions Regulator, transfer value calculations under the ITB Pension Funds (DB Section) use a method and basis determined by the Trustees, after taking advice from the Scheme Actuary, to be consistent with the relevant legislation and the rules of the ITB Pension Funds (DB Section).

Transfer values paid under the ITB Pension Funds (DC Section) equal the value of a members DC account as at the date of disinvestment.

The Trustees do not accept transfers in to the DB Section. However, members of the DC Section may apply to the Trustees for the acceptance of transfer values from similarly approved schemes.

Report on Actuarial Liabilities

Under Section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions. The technical provisions represent the present value of benefits members are entitled to, based on pensionable service to the valuation date. This is assessed using the assumptions agreed between the Trustees and the Participating Employers and set out in the Statements of Funding Principles, which are available to members on request.

Open Fund – Valuation Results

The most recent full actuarial valuation of the Open Fund was carried out as at 31 March 2016. This showed that on that date:

**The value of technical provisions was:
£932,500,000**

**The value of the assets at that date was:
£942,200,000**

The method and significant actuarial assumptions used to determine the technical provisions are as follows (all assumptions adopted are set out in the Annex to the Statement of Funding Principles):

Open Fund - Method

The actuarial method to be used in the calculation of the technical provisions is the Projected Unit Method.

Open Fund – Significant Actuarial Assumptions

- Discount rate for determining the technical provisions (or, equivalently, the expected return on the assets): The expected return on the assets is assumed to be the redemption yield available on fixed interest gilts of a similar duration to that of the Fund liabilities, plus a prudent margin to allow for expected returns on the Fund's assets exceeding those from gilts and minus an allowance for an inflation risk premium of 0.25% a year. The discount rate in the period before retirement reflects the expected investment returns on a portfolio consisting largely of return-seeking assets, whereas for the period after retirement the discount rate reflects the expected return on the liability driven investment portfolio. The trustees allow for 2.5%pa outperformance relative to the gilt yield before retirement and 0.5%pa outperformance relative to the gilt yield after retirement.
- Future Retail Price Inflation (RPI): The future RPI is derived from the difference between annually compounded redemption yields on fixed interest gilts and index linked gilts of a similar duration to that of the Fund liabilities, less an adjustment of 0.25% a year for the inflation risk premium.
- Future Consumer Price Inflation (CPI): The future CPI is derived from the assumption for RPI less a prudent adjustment equal to 0.9% a year.
- Pension increases: Pension increases are in line with the provisions under the Fund's rules, in line with the assumption for future CPI or RPI as appropriate, allowing for any caps and floors.
- Pay increases: Pay increases are assumed to be in line with RPI increases for the three years following the valuation date. Thereafter, salary inflation has been assumed to exceed RPI increases by 0.85% a year.
- Mortality (post retirement): Post retirement mortality is assumed to be in line with the S2NMA, S2NFA and S2DFA tables published by the UK actuarial profession, rated down 2 years of age for normal health retirements and rated up 2 years of age for ill-health retirements.
- Mortality Improvements: Projected improvements in mortality rates are assumed to be in accordance with an average of those underlying the principal and 'high' life expectancy variant improvements incorporated in the Office for National Statistics' 2014-based population projections for the United Kingdom. Improvements to mortality rates are assumed to be broadly in line with actual improvements in UK population mortality between 1 January 2007 (the date at which the S2 tables apply) and mid-2014.

Closed Fund – Valuation Results

The most recent full actuarial valuation of the Closed Fund was carried out as at 31 March 2015. The valuation of the Fund's liabilities excludes those liabilities which will be met by a bulk annuity policy and for consistency the bulk annuity policy is excluded from the valuation of the Fund's assets. This most recent valuation showed that on that date:

**The value of technical provisions was:
£38,300,000**

**The value of the assets at that date was:
£74,300,000**

The method and significant actuarial assumptions used to determine the technical provisions are as follows (all assumptions adopted are set out in the Annex to the Statement of Funding Principles):

Closed Fund - Method

Scheme funding legislation requires trustees to determine which actuarial funding method to use. However, since the differences between the permissible methods arise solely in relation to the treatment of active members no such decision is necessary for the Closed Fund as it has no active members.

The valuation then assesses the extent to which the Fund's residual assets are sufficient to meet future expenditure not met by the bulk annuity policy. The Fund's liabilities are valued using financial assumptions consistent with market conditions at the valuation date.

Closed Fund – Significant Actuarial Assumptions

The largest part of the Closed Fund's liabilities is insured by a bulk annuity policy. Therefore, the significant assumptions relate to differences in the Fund's liabilities and the terms of the bulk annuity policy and to the provisions for insurer insolvency and future expenses.

- Discount rate for determining the technical provisions (or, equivalently, the expected return on the assets): The expected return on the assets is assumed to be the redemption yield available on fixed interest gilts of a similar duration to that of the Fund liabilities minus an allowance for an inflation risk premium of

0.25% a year.

- Future Retail Price Inflation (RPI): Future RPI is derived from the difference between annually compounded redemption yield on fixed interest gilts and index linked gilts of a similar duration to that of the Fund liabilities less an adjustment of 0.25% a year for the inflation risk premium.
- Difference between RPI and CPI: There is no excess of the insurers benefit indexation (Retail Prices Index – RPI) above the Fund's benefit indexation (Consumer Prices Index – CPI).
- Mortality (post retirement): Post retirement mortality is assumed to be in line with the S2NMA, S2NFA and S2DFA tables published by the UK actuarial profession with no age rating.
- Mortality Improvements: Projected improvements in mortality rates are assumed to be in accordance with those underlying the principal variant improvements incorporated in the Office for National Statistics' 2012-based population projections for the United Kingdom.
- Insurer insolvency: The technical provisions include a provision for insurer insolvency, sufficient to cover an insolvency event in the year following the valuation date by setting a reserve equal to the present value of three years of benefit payments.
- Future expenses: The technical provisions include a provision for the Fund's expenses of £750,000 a year increasing in line with RPI until 2029-30.

Financial development during the year

The financial statements of the Funds for the year ended 31 March 2017 are set out on pages 35 to 55. During the year, the net assets of the Funds increased from £1.13bn to £1.28bn.

Contact

If members have a query or wish to make their views known to the Trustees on any aspect of the ITB Pension Funds they should in the first instance write to the ITB Pension Funds, 23 King Street, Watford, Herts, WD18 0BJ or email pensions@itbpen.com.

Chair's Statement

for the Year Ended 31 March 2017

Introduction

This statement has been prepared by the Trustees to demonstrate how the Funds have complied with the governance standards introduced under the Occupational Pension Schemes (Charges and Governance) Regulations 2015. It covers the year to 31 March 2017 and six key areas relating to the Open Fund - Defined Contribution (DC) Section:

- The investment strategy relating to the DC default investment option.
- The financial transactions made within the DC Section.
- The charges and transactions costs within the DC Section.
- The Trustees compliance with knowledge and understanding requirements.
- Appointment of Trustees.
- Membership Engagement.

Where applicable this statement also applies to the Additional Voluntary Contribution (AVC) arrangements.

1 DC Default Investment Option

The DC section was introduced in April 2012 and a comprehensive review of the arrangements was concluded in December 2014. The review took into account a membership analysis and the Trustees' view of how membership will behave at retirement. As a result of the review, the current default arrangement was introduced in March 2015. In the first quarter of 2017 the membership of the DC Section increased by 748 members (81%) due to employers switching from defined benefit accrual to defined contribution accrual. The Trustees will perform a full review of the default strategy in 2017, as it is the third anniversary of the last full review and as there has been a significant increase in the membership of the DC Section.

A review of the AVC arrangements with Royal London and Prudential was completed in May 2016. The review was conducted with advice from the Trustees' investment advisers and assessed the financial strength of provider, fund performance, charges and value-for-money, administration and communications. It was concluded that these AVC fund arrangements remained fit for purpose and accordingly the arrangement was left unchanged. The next review is scheduled for May 2019. The

Investment Committee monitors the performance of the AVC funds annually.

The Trustees have adopted a Statement of Investment Principles (SIP) which covers both the DB and DC sections of the Funds. The latest DC section SIP dated 31 March 2017 is reproduced in the schedule to this statement. It sets out the investment principles for the DC funds, including the default arrangement.

2 Financial Transactions

The Trustees regularly monitor that core financial transactions of the DC Section are processed promptly and accurately. These transactions include the investment of contributions, transfers out, fund switches, and payments out, both to and in respect of members, and are undertaken on the Trustees behalf by the Funds' DC platform provider, Legal & General Assurance Society Ltd. (L&G), under a policy to administer the Funds' DC assets.

The Trustees work closely with the participating employers to help them understand their responsibilities as regards contributions and sharing information about members. Staff at the ITB Pension Funds (the Funds Office) are in regular communication with the employers about the detail of their obligations in respect of the DC section. The Funds Office is notified by the participating employers of the various percentage of employer and employee contributions due and perform reconciliations to ensure the correct payments are deducted.

All contributions deducted from members pay by the participating employers are paid to L&G by the end of the first week following the end of the calendar month in which they were taken from members' pay, whereas the legislative timescale is within 22 days of the end of the calendar month in which they were taken from members' pay if it is paid by electronic means (or 19 days in any other case). L&G invests the contributions in funds within 24 hours following receipt of contributions, whereas the Pensions Regulator expects contributions to be invested within a maximum of three working days following receipt.

The Trustees review quarterly reporting from L&G, which shows its performance against service level agreements for processing all core financial transactions, including investing contributions promptly on time and within legislative timescales.

The Trustees also review the annual AAF 01/06 / ISAE 3402 Assurance Report on Internal Controls issued by L&G which gives independent assurance on the strength of the systems and controls operating within L&G.

Staff at the ITB Pension Funds reconcile L&G's quarterly reports to monthly contribution summaries supplied by the participating employers, to monitor whether contributions have been processed accurately. Any identified errors are rectified quickly and processes at L&G and the employers are reviewed to prevent further similar errors. Contributions to AVC arrangements are monitored in the same way.

Transfers out, fund switches and payments out, both to and in respect of members, are processed by L&G, on behalf of the Trustees. The promptness of processing these transactions is monitored by the Trustees through the service level performance reporting each quarter. The accuracy of processing of these transactions is monitored by the Funds Office, which reconciles L&G's advance notice of the transactions to separate fund accounting reports.

The Trustees undertake an annual review of the DC Section's governance processes and internal controls, the most recent of which was completed on 31 March 2017, and have confirmed their view that they are in compliance with the Pensions Regulator's DC Code of Practice No. 13. Based on the above, the Trustees are satisfied that the core financial transactions relating to the DC Section and AVCs have been processed promptly and accurately during the year.

3 Charges and Transaction Costs

The level of charges and transaction costs for the default arrangement (as measured by the total expense ratio – TER, which includes L&G's platform fee of 0.30% pa) is 0.68% pa, while the equivalent cost of the annuity strategy is 0.58% pa and the cash strategy is 0.68% pa. The level of charges and transaction costs for other funds (as measured by the TER) ranges from 0.38% pa to 1.26% pa. The TER for each fund is stated in the Trustees' Report & Financial Statements.

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. In order to meet this objective, a value

for money assessment of the DC arrangements was carried out by the Trustees as part of the comprehensive DC strategy review conducted in December 2014. The Trustees have reviewed the assessment each year since that date. The Trustees considered the extent to which the cost of membership compares against the services and benefits provided by the DC section, which include scheme governance and management, investment, administration and communications services. The review and assessment recognised that the only charges borne by members are the charges deducted from the funds (i.e. the TERs as shown above), while the charges for all other services are borne by the participating employers.

The Trustees' assessment concluded that the TERs are competitive and that the DC arrangements offer members good value for money, after considering the advice of the investment adviser on the level of TERs based on their knowledge of the market as a whole, that members only pay the direct cost charged within the investment funds and all other services are paid for directly by employers. In addition, the other costs and charges are kept as low as possible by rigorous budgetary control and the charges borne by members are well below the government 'charge cap' of 0.75% pa in respect of default funds.

The Trustees have not been able to obtain separate figures for transaction costs for the DC funds, but the DC Fund Manager is working to develop capability to collate this. The work will deliver in two phases; explicit costs (commissions, taxes, etc.) and implicit costs (slippage costs less the explicit costs). Explicit costs for all the Fund Manager's pension funds are anticipated to be available by the end of 2017 and implicit costs early in 2018.

4 Trustee Knowledge and Understanding

The Trustees are expected to meet the requirements for knowledge and understanding, as set out in s247 of the Pensions Act 2004 pertaining to individual Trustees, i.e. that they are conversant with the documents governing the Funds, have knowledge and understanding of pensions and trust law and the principles of funding and investment. The Trustees consider that the overall Funds' training programme satisfies this requirement.

The Trustee board comprises 18 members, either nominated by the participating employer or the employees and pensioners of participating

Chair's Statement

for the Year Ended 31 March 2017

employers. Each Trustee serves for a fixed three-year term, and can be re-appointed following each term. As at 31 March 2017, the average period of appointment is 5 years 7 months - 5 Trustees have been appointed for a year or less, whilst 6 Trustees, including the Chair and the Deputy Chairs, have been appointed for over 6 years. There is a wide spectrum of trustee experience and, therefore, the training programme both keeps the experienced Trustees up to date with pension developments and gives newer Trustees a basis, in line with the minimum requirements, on which to develop their knowledge and experience.

The training programme comprises a number of elements:

- All new Trustees attend an induction programme that introduces the trust's deed and rules, statement of investment principles, statement of funding principles and other Funds policy documents, for example the Funds' management of conflicts of interest policy.
- Every year, each Trustee completes a training needs self-assessment and the Funds Office uses this assessment to identify areas where training is required and prepares a training plan for each Trustee. Through this process Trustees identified investment as a training need and, therefore, attended training on investments provided by an Investment Manager. New Trustees identified a need for a comprehensive introduction to trusteeship and attended a trustee foundation course provided by the Funds' legal advisers.
- The Funds also provide access to an ITB Funds Trustee website on which all key documentation can be accessed, including the trust's deed and rules, statement of investment principles and statement of funding principles. The website also includes links to training course providers and the Pensions Regulator's e-learning course, the Trustee Toolkit. It is not a requirement of the Funds that Trustees complete the Toolkit, but Trustees are encouraged to do so.
- A formal training session is provided following each quarterly Trustee meeting, that is attended by all Trustees. Sessions during the scheme year included "Lessons for Trustees from the BHS case" and "L&G DC Arrangements".
- Significant training is provided in the form of formal briefings and training provided at Trustee

and Investment Committee meetings. This year all Trustees have received briefings on managing conflicts of interests and the triennial actuarial valuation.

- Each year all the Trustees attend a dedicated training seminar. This year, training was provided by the Funds advisers on the meaning of, and the journey to, the Funds long term target of self-sufficiency, the latest 2017 investment strategy review, macro-economic developments, legal responsibilities for DC schemes (including Charges and Governance Regulations 2015, DC Code of Practice and the latest Pensions Bill), a general legal update on legislative changes (including data protection and GMP reconciliation) and a general actuarial update (including the possible impact of latest mortality trends).

All training needs and training received is logged on a central training register that is used by the Funds Office to identify relevant subjects for training, which are then delivered within the framework described above. The Trustees consider that each new individual Trustee will take a year to complete the training to meet the requirements for knowledge and understanding.

The combined training, knowledge and understanding of the trustee board currently enables the Trustees to properly exercise their functions. The combined knowledge of the board includes many years trustee experience and training as described above. Several of the Trustees are current or former senior executives with substantial experience of financial, managerial and governance matters; for example, one of the trustees was a Trustee of a major Master Trust; another of the trustees is an HR Director with substantial pensions knowledge. Trustees are nominated by participating employers, or employees and pensioners of participating employers, and that ensures detailed knowledge of the participating employers is available to the board, which is useful for interpreting and understanding advice on employer covenant strength, subject to managing conflicts of interest. The Trustees combined knowledge and understanding is also enhanced by the support of the Funds Office. The Funds Chief Executive is a qualified PMI professional of more than 30 years' experience in the pension industry, the Funds Accountant is a Chartered Accountant

with 9 years' experience in life insurance and 10 years' experience in the pension industry, and the Pension Administration Manager has a PMI Diploma and 40 years' experience in the pension industry. Trustees also have ready access to actuarial advice from the Government Actuary's Department, investment advice from LCP and legal advice from Mayer Brown International. The actuarial and legal adviser attend each Trustee board meeting and the investment adviser attends each Investment Committee meeting. This combined support is part of the combined knowledge that enables the Trustees to properly exercise their functions.

5 Appointment of Trustees

The Funds are a relevant multi-employer scheme under the 2015 Regulations. The Funds are therefore subject to a special requirement under Regulation 22, whereby a majority of the Trustees, including the Chair, must be "non-affiliated". For a Trustee to be "non-affiliated", he or she must be appointed via an open and transparent process (OTP); must be independent of the Funds' service providers; and must not have been in office for longer than prescribed periods.

In order to ensure compliance with Regulation 22, the Trustees have, during the scheme year and over the longer term, made arrangements with a view to ensuring that new Trustees are appointed via an OTP as explained below, and have monitored compliance with the conditions as to independence and term of office. Members' Trustees are nominated and appointed by members or by trade unions which represent them, and the Trustees are satisfied that these arrangements meet the OTP requirement. Employers' Trustees are appointed by Employers but, to ensure that the OTP requirement is met, the Trustees stipulate that Employers should follow certain ground rules when making appointments. Under the ground rules, Employers must determine the constituency from which Trustees will be selected and the process used to make the selection, which must involve a panel of at least three individuals; notice as to these matters must be given to people in the constituency and to the Employer's active members (the "interested parties"); the selection must take account of candidates' fitness and propriety to act as Trustees; the chair of Trustees must be consulted as to the proposed appointment; notice as to the final decision must be given to the

interested parties; and the Employer must confirm to the Trustees that the ground rules have been followed.

As regards non-affiliated Trustees appointed or re-appointed during the scheme year, the OTP requirement was met as follows. Jas Sall, Members' Trustee, SEMTA: the selection was made by the trades union Unite which represents active members employed by SEMTA; Martin McManus, Members' Trustee, Cogent SSC Ltd.: the selection was made by active members employed by Cogent SSC Ltd.; John MacDonald, Employer's Trustee, OPITO: OPITO followed the ground rules in making its selection; David Birtwistle, Employer's Trustee, SEMTA: SEMTA followed the ground rules in making its selection; Brian Wisdom, Employer's Trustee, People 1st: People 1st followed the ground rules in making its selection; Nigel Titchen, Employer's Trustee, Lantra: Lantra followed the ground rules in making its selection.

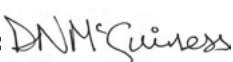
6 Membership Engagement

During the scheme year, the Trustees have encouraged members of the Funds to make their views known by operating a website for the Funds which includes a "feedback" button and contact details; by publishing an annual newsletter which is issued to all members who request it (currently 731 members) and which is available on the Funds' website where all members can view it; by liaising with the Pensioners' Association and informally through the Members' Trustees. DC members also have access to L&G's website where comprehensive documentation and guidance on the Funds' DC section is available and which also facilitates direct communication with the L&G administration team.

The contact details of the Funds are as follows:

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

Signed by the Chair on behalf of the Trustees

Signed: 

Dated: 27 October 2017

David Newell McGuinness (Chair of Trustees)

Chair's Statement

for the Year Ended 31 March 2017

Schedule

DC Section Statement of Investment Principles – 31 March 2017

What is the Trustees' overall investment objective?

The Trustees recognise that members of the Defined Contribution Section may have differing investment needs. These needs may change during the course of a member's working life and members may have differing attitudes to risk. The Trustees believe that members should make their own investment decisions based on their individual circumstances.

The Trustees' investment objective is, therefore, to make available a range of pooled investment funds which serve to meet in general the varying investment needs and risk tolerances of the members of the Defined Contribution Section.

What risks do the Trustees consider and how are these measured and managed?

The Trustees have considered risk for the Defined Contribution Section from a number of perspectives, including, but not limited to, those set out below. Some of the risks are more quantifiable than others, but the Trustees have tried to allow for the relative importance and magnitude of each risk:

Risk of inadequate long-term returns - As members' benefits are crucially dependent on the investment returns achieved, it is important that investment vehicles are available which can be expected to produce adequate real returns over the longer term.

Risk of deterioration in investment conditions near retirement - For a given amount of money the level of pension secured for a member will depend upon investment conditions at retirement. A sharp deterioration in these conditions in the period just prior to retirement will have a substantial impact in the benefits provided. To protect against this, the Trustees have provided a lifestyle strategy, the ITB Drawdown Strategy, which targets drawdown at retirement.

Risk of lack of diversification and unsuitable investments

- Within each fund available to members the holdings should be adequately diversified. To achieve this, the Trustees have selected funds which invest in a suitable diversified range of holdings. The Trustees' policy is to make available to members funds which, in normal circumstances, should prove easy to buy and sell.

Risk from excessive charges - If the investment management charges together with other charges levied on, for example, transfers or early retirement are excessive then the value of members' accounts will be reduced unnecessarily. The Trustees have, therefore, looked closely at the terms and conditions of the investment manager and are comfortable that the charges applicable to the Open Fund are in line with market practice and assess regularly whether these represent good value for members.

Investment manager risk - This is the risk that the investment manager fails to meet its investment objective. The Trustees monitor the investment manager on a regular basis.

Other risks - The Trustees recognise that there are other, non-investment, risks within the Defined Contribution Section. Unlike the Defined Benefit Section, these risks fall generally on the individual Defined Contribution Section members rather than on the membership generally and/or the sponsoring employer. Examples of these risks include longevity risk (the risk that insurers expect members to live longer, which increases the cost of securing a pension), and knowledge/understanding risk (the risk that members make inappropriate investment choices, given their circumstances).

What are the investment strategy arrangements?

The Trustees have provided to members a range of investment options, having regard to the long-term performance characteristics of various asset classes, in terms of their expected returns and the variability of those returns. The Trustees have selected Legal & General as the investment platform for the Defined Contribution Section. The range of funds that is available is set out as follows:

Manager	Fund name	Benchmark	Target
L&G	Global Equity Fixed Weights (50:50) Index Fund	Composite of 50/50 distribution between UK and overseas	To track the benchmark
L&G	Ethical Global Equity Index Fund	FTSE4Good Global Equity Index	To track the benchmark to within +/- 0.50% pa for two years in three
HSBC	Amanah Fund	Dow Jones Islamic Titans 100 Index	To track the benchmark
Standard Life	Global Absolute Return Strategies Fund	6 Month £ LIBOR	To outperform the benchmark by 5% pa (gross) over rolling three year periods
L&G	Passive Multi-Asset Strategy	Composite of underlying funds	To track the benchmark
L&G	AAA-AA-A Corporate Bond (Over 15 Years) Fund	iBoxx £ Non-Gilts (ex BBB) Over 15-year Index	To track the benchmark to within +/- 0.50% pa for two years in three
L&G	Over 5 Year Index-Linked Gilts Index Fund	FT A Index-linked gilts (Over 5-year) Index	To track the benchmark to within +/- 0.25% pa for two years in three
L&G	Over 15 Year Gilts Index Fund	FT A gilts (Over 15-year) Index	To track the benchmark to within +/- 0.25% pa for two years in three
L&G	Cash Fund	7 Day LIBID	To match the CAPS Pooled Pension Fund median.

Default Option

The Open Fund also has three lifestyle strategies and the default investment option is a lifestyle strategy which targets income drawdown at retirement. The default option provides an automated investment switching facility, following a pre-selected investment strategy, which will move the funds into lower risk investments as retirement approaches.

Until 15 years prior to each member's selected retirement age, the lifestyle strategy invests in:

- 50% in L&G's Global Equity Fixed Weights 50:50 Index Fund;
- 17% in Standard Life's Global Absolute Return Strategies Fund; and

- 33% in the Passive Multi-Asset Strategy.

Fifteen years prior to each member's selected retirement age, automatic monthly switches commence. The investment split at each member's target retirement age would be as follows:

- 50% in the Passive Multi-Asset Strategy; and
- 25% in Standard Life's Global Absolute Return Strategies Fund; and
- 25% in the L&G Cash fund.

It is for each member to decide on their required strategic allocation to each of the available investment funds. The fund range offered also includes three "lifestyle" strategies that automatically combines the investments in proportions that vary according to the proximity to retirement age. Each of the three lifestyle strategies

Chair's Statement

for the Year Ended 31 March 2017

targets a different investment option for members at retirement; income drawdown, a cash lump-sum or the purchase of an annuity. If a member does not choose an investment option, their account will be invested into the default lifestyle option, which targets income drawdown at retirement.

The lifestyle strategy is designed to offer some protection against environmental, social and governance risks.

What did the Trustees consider in settling the Scheme's Defined Contribution Section investment strategy?

In deciding upon the funds to offer to members, the Trustees' primary concern is to provide funds to members which allow them to address appropriately the main investment risks that they face.

The main risks considered were inflation risk (the risk that a member's investments fail to keep pace with inflation over the longer term), conversion risk (the risk of a deterioration in the terms available for converting funds into pension at retirement - applicable to the annuity lifestyle) and capital risk (the risk of a fall in the amount of cash available to take at retirement).

Appointment of investment provider

The Trustees have appointed one main provider to provide the funds in which the Defined Contribution Section invests. The provider offers funds managed internally and by third party investment managers.

The provider's primary role is to maintain the funds in which the Defined Contribution Section invests. The provider is authorised under the Financial Services and Markets Act 2000 to carry out such activities.

Open Fund – DB Section

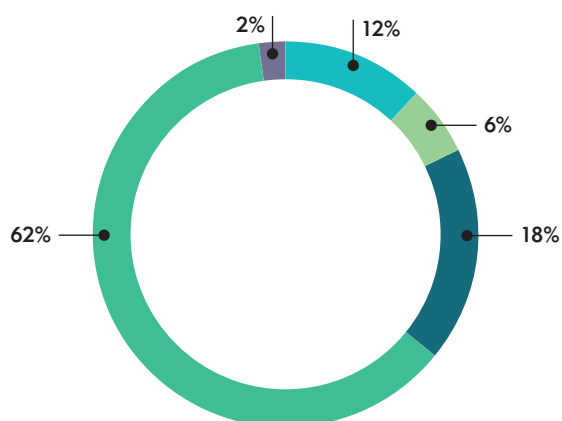
Investment Strategy

During the year, following the results of the 31 March 2016 triennial actuarial valuation, the Trustees reviewed the Open Fund investment strategy in consultation with the Employers. As a result of the review, the Trustees agreed to maintain the existing long-term objective, which is to be fully funded on a self-sufficiency basis over a 20-year time horizon from 2014 (the inception date of the current objective). The Trustees aim to achieve the objective by gradually reducing risk over the 20-year time horizon if assets generate suitable returns, to be close to 100% of assets invested in liability driven investments (including buy-in insurance policies) at the end of the 20-year period.

Self-sufficiency is taken to mean fully funded on a basis that assumes little or no outperformance over gilts and at this stage there would only be a small risk that the Open Fund would require additional contributions as a result of adverse market conditions or better than assumed longevity experience.

Asset Allocation

The target asset allocation, excluding buy-in policies, as at 31 March 2017 was as below. The Trustees regularly review the allocation to ensure that the investments remain appropriate when compared with the Fund's liabilities, the strategy to reduce risk over a 20-year time horizon and the amount of risk the Trustees are prepared to accept.



KEY:



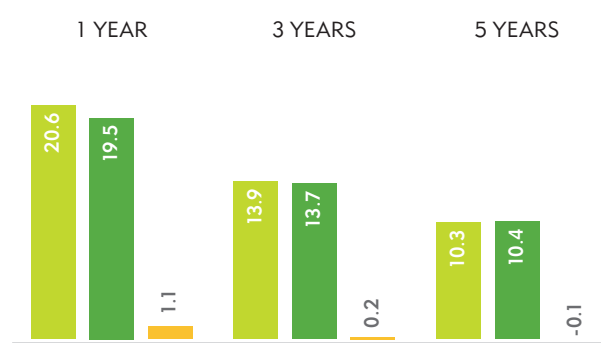
The investment strategy includes investing in assets that protect the Fund from changes in interest rates and inflation – liability driven investments (gilts and derivatives) – and buy-in insurance policies that fully insure some of the Fund's pensioner liabilities. The Fund is protected from interest rate risk by the liability driven investments to the extent of 80% of uninsured liabilities and from inflation risk to the extent of 90% of uninsured liabilities.

In October 2016, the Trustees invested in two buy-in insurance policies. One is a medically-underwritten policy with Just Retirement Limited and the other a conventional buy-in policy with Pension Insurance Corporation. The Trustees took an opportunity to further reduce risk in the investment strategy by transferring investment and longevity risk to these insurers at a value lower than placed on the insured liabilities in the 2016 actuarial valuation.

In December 2016 and in February 2017 the Trustees reduced the allocation to return seeking assets as a result of achieving returns commensurate with progressing the strategy to reduce investment risk. As a result of these changes the active global equity allocation managed by Longview Partners was terminated in December 2016.

Investment Performance

The performance of the total Open Fund for the year ended 31 March 2017, after investment manager fees, was 20.6% compared with the overall benchmark of 19.5%. Performance of the total Fund over one, three and five years to 31 March 2017 is shown below:



KEY: FUND RETURN (%) BENCHMARK (%) RELATIVE (%)

Closed Fund

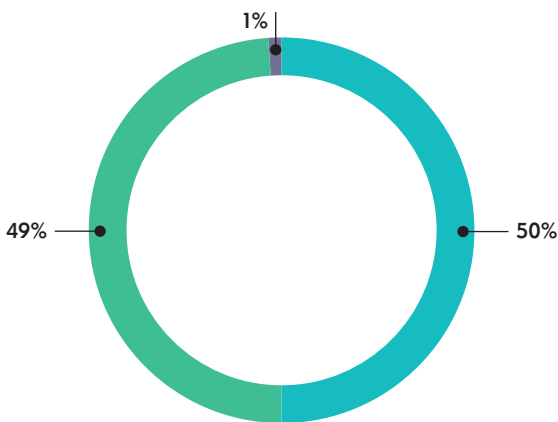
Investment Strategy

The Trustees' objectives are to match the cost of benefits and generate additional income and capital growth to meet further benefit enhancements, limit the risk of failing to meet the liabilities over the long term and minimise the long-term costs by maximising return.

Most of the Closed Fund's liabilities were bought-in through an insurance policy with Pension Insurance Corporation in April 2011. The remaining assets of the Closed Fund form the "Reserve Assets". Of the Reserve Assets, an amount equivalent to 20% of the value of liabilities is held in index-linked gilts as an allocation against default by the insurer. The remainder of the Reserve Assets (the "Free Reserve Assets") is invested as below.

Asset Allocation – Free Reserve Assets

The target asset allocation as at 31 March 2017 was as follows. The allocation is broadly based on the long-term strategy for the Open Fund and includes cash to provide for short-term expenses.

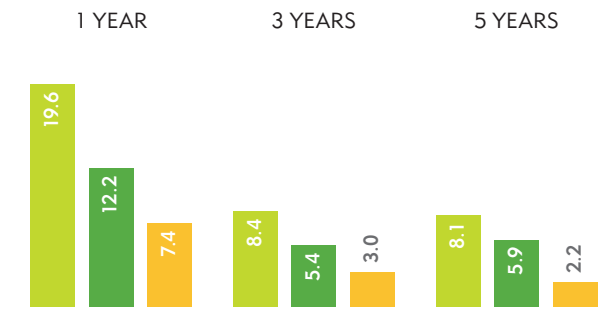


KEY:



Investment Performance

The performance of the Closed Fund Free Reserve Assets for the year ended 31 March 2017, after investment manager fees and excluding holdings of index-linked gilts which are not taken into account in the performance benchmark, was 19.6% compared with the overall benchmark of 12.2%. Performance of the assets over one, three and five years to 31 March 2017 is shown below:



KEY: FUND RETURN (%) BENCHMARK (%) RELATIVE (%)

Responsible investment

The Trustees' responsible investment policy is that the Funds' investment managers have discretion about the extent to which environmental, social and governance considerations are taken into account in investment decisions. However, the Trustees expect that, to the extent to which environmental, social and governance issues may have a financial impact on the portfolio, they will be taken into account by the investment managers in the exercise of their delegated duties.

Investment Markets Year Ended 31 March 2017

UK Equity

UK equity markets had a positive year, up by 22.0% for the year as measured by FTSE All Share Index. This performance was driven by a boost to overseas earnings of large companies due to Sterling weakness following the European Union Referendum result in June 2016. Initially domestic companies, for example banks and builders, struggled. However, "easy money" from the Bank of England's monetary loosening continued, with the policy of quantitative easing supporting equity prices amidst slowing global growth, faltering global trade and increasing political and geopolitical risks. The Chancellor's decision to abandon previous budgetary constraints was also positive for markets. During the year, UK equities continued to perform strongly despite uncertainties from Brexit-related developments, whilst later in the year large, more internationally oriented companies benefited from Sterling weakness and other smaller domestic based companies were helped by the UK economy's resilience.

Overseas Equity

Overseas equities had a strong year, up 33.8% in Sterling terms. For unhedged UK investors, overseas equity markets performed well mainly due to Sterling weakness following the EU Referendum result.

US equities performed strongly due to stabilising oil prices and better than expected consumer spending. The Trump victory in November 2016 and his promise of tax cuts and infrastructure spending spurred on US stocks and had a positive knock-on impact on global markets. US equities reached record highs early in 2017, although in March 2017 markets started to fall away under increasing doubts over Trump's ability to deliver on pledges.

Japanese stocks were steady following the Bank of Japan's continued pledges to support the economy. European stocks rose, with investors focusing on continued availability of cheap ECB money and an improved business outlook following results favourable for business in elections and referendums in Austria, Italy and the Netherlands.

Emerging markets rose strongly as investors focused on benefits of higher growth and firmer commodity prices and the knock-on impact of developments in the United States.

UK Property

UK property was up 3.8% during the year to 31 March 2017. UK property fell sharply following the EU Referendum result in June 2016, but had recovered back to positive territory by the end of the year. While there remains much caution in the sectors most exposed to potential Brexit fallout, e.g. central London, sentiment turned more positive by the year end, particularly among overseas investors attracted by valuations in relatively weak Sterling.

Government Bonds

Long dated government fixed interest bonds (over 15 years) were up by 12.3% during the year to 31 March 2017. At the beginning of the year, even though rating agencies stripped the UK of its "AAA" rating, the EU Referendum result led a continued flight to safety for investors and long dated bond yields continued to fall, with long dated bond prices increasing by 11.8% in Q2 2016. Following the EU Referendum result, the Bank of England unveiled action to steady post-Brexit nerves which kept yields low (and prices high). Later in 2016, following the US election and anticipated implications for US growth, long dated bond yields rose (and prices fell). However, early in 2017 this brief trend reversed as bond investors' expectations reverted to a more cautious view.

Custodian arrangements

Segregated assets

JP Morgan Chase Bank is the appointed independent custodian for all segregated assets, excluding property.

Pooled assets

The Bank of New York Mellon is appointed as the custodian for the pooled funds managed by BlackRock. The investment managers of other pooled funds are responsible for appointing custodians for the underlying assets of other pooled funds the Funds invest in.

Property

Mayer Brown International holds the title deeds of the Open Fund's properties.

Investment Report

Open Fund – DC Section

Contributions made for members of the Open Fund DC Section are invested with Legal & General Assurance Society Ltd. Total contributions of £3,714,000 were made in the year (2016: £1,999,000). Contributions are allocated to a range of funds according to members' choices. If a member does not nominate specific separate investment funds, contributions are invested in the default fund.

The default fund was set up in March 2015. It is made up of a mixture of a passive multi-asset fund (33%), a diversified growth fund (17%) and a global

equity fund (50%). 15 years from retirement this fund changes the allocation to reduce risk, with a target allocation at retirement of 50% multi-asset fund, 25% diversified growth fund and 25% cash fund.

Shown below is the range of funds available to members, together with the performance benchmarks, fee charges and the value of units held in each fund. All index-tracking funds performed in line with benchmarks during the year. The Standard Life Global Absolute Return Strategies Fund underperformed its benchmark by -0.5% in the year and the Newton Real Return Fund outperformed its benchmark by 1.6% in 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	48	0.6%	FT A index-linked gilts (over 5 year) index	To track the index	0.38%
Over 15 year index-linked gilts index fund	23	0.3%	FT A gilts (over 15 year) index	To track the index	0.38%
AAA-AA-A Corporate Bond over 15 year index fund	31	0.4%	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	3,807	44.0%	Composite of 50/50 distribution between UK and overseas	To track the index	0.40%
Ethical global equity index fund	20	0.3%	FTSE4 Good Global Index	To track the index	0.60%
Other Funds:					
Passive Multi Asset fund	3,064	35.4%	Composite Index	To track the index	0.53%
Standard Life Global Absolute Return Strategies fund	1,568	18.1%	6 month £ LIBOR	To outperform the benchmark by 5% pa	1.26%
Newton Real Return fund	2	-	1 month £ LIBOR	To outperform the benchmark by 4% pa	1.21%
HSBC Life Amanah fund	1	-	Dow Jones Islamic Titans 100 index	To track the index	1.15%
Cash fund	80	0.9%	7 day LIBID	CAPS pooled pension fund median	0.40%
Total Fund	8,644	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.

Actuarial Certificates

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

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 can be expected to continue to be met for the period for which the schedule is to be in force.
2. I also certify that any rates of contributions forming part of this schedule which the scheme requires me to determine are not lower than I would have provided for had I had responsibility for preparing or revising the schedule, the statement of funding principles and any recovery plan.

Adherence to statement of funding principles

3. I hereby certify that, in my opinion, this schedule of contributions is consistent with the statement of funding principles dated 31 October 2016.

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.

Martin Clarke FIA

Government Actuary's Department

Finlaison House

15-17 Furnival Street

London EC4A 1AB

7 December 2016

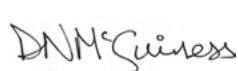
The Schedule of Contributions referred to in this certificate is that dated 31 October 2016.

Summary of Contributions payable in the year

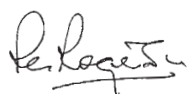
During the year, the contributions payable to the Open Fund by the Employers under the Schedule of Contributions were as follows:

	2017	2016
	£'000	£'000
Contributions payable under the Schedule of Contributions		
Employers' normal contributions	7,338	7,620
Employers' deficit contributions	1,839	2,749
Employers' life assurance contributions	57	48
Members' normal contributions	539	868
Total contributions payable under the Schedule	9,773	11,285
Other contributions		
Employers' augmentation costs	2,276	1,341
Employers' buy-out contributions	-	69
Members' additional voluntary contributions	33	79
Total payable to the Scheme	£12,082	£12,774

The Trustees Report was approved by the Trustees on 30 June 2017.



D N McGuinness
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 2017 which comprise the fund accounts, the net assets statements and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 31, 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

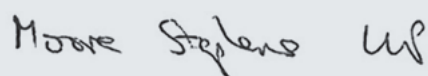
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the

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 2017, 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

7 August 2017

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 2017 which is set out on page 34.

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 to 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 2017 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 Schedules of Contributions certified by the Scheme Actuary on 30 June 2014 and 31 October 2016.



MOORE STEPHENS LLP

Chartered Accountants and Statutory Auditor
LONDON

7 August 2017

Fund accounts

for the year ended 31 March 2017

	Notes	Closed Fund 2017 £'000	Open Fund DB Section 2017 £'000	DC Section 2017 £'000	Combined Fund 2017 £'000	Combined Fund 2016 £'000
Contributions and benefits						
Employer contributions	4	-	8,144	3,366	11,510	11,827
Employee contributions	4	-	224	348	572	947
Total contributions		-	8,368	3,714	12,082	12,774
Transfers in	5	-	-	83	83	107
Other income		-	-	110	110	-
		-	8,368	3,907	12,275	12,881
Expenditure						
Benefits paid or payable	6	10,926	34,913	130	45,969	42,051
Payments to and on account of leavers	7	-	2,956	192	3,148	2,016
Other payments:						
Life assurance premiums		-	-	57	57	48
Administrative expenses:						
General administration	8	488	781	25	1,294	1,193
Professional services	8	87	720	12	819	634
Pension fund levy		3	25	-	28	27
		11,504	39,395	416	51,315	45,969
Net (withdrawals)/additions from dealings with members		(11,504)	(31,027)	3,491	(39,040)	(33,088)
Returns on investments						
Investment income	9	11,749	15,693	-	27,442	25,725
Change in market value of investments	12	12,745	151,501	1,016	165,262	(23,676)
Investment management expenses	10	(82)	(1,576)	(11)	(1,669)	(1,294)
Taxation	11	-	19	-	19	(134)
Net returns on investments		24,412	165,637	1,005	191,054	621
Net increase/(decrease) in the funds during the year		12,908	134,610	4,496	152,014	(32,467)
Net assets as at 31 March 2016		189,151	938,782	4,566	1,132,499	1,164,966
Net assets as at 31 March 2017		£202,059	£1,073,392	£9,062	£1,284,513	£1,132,499

The notes on pages 40 to 55 form part of these financial statements.

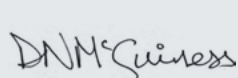
Net assets statements

31 March 2017

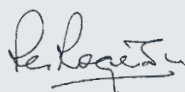
	Notes	Closed Fund 2017 £'000	Open Fund DB Section 2017 £'000	DC Section 2017 £'000	Combined Fund 2017 £'000	Combined Fund 2016 £'000
Investment assets						
Bonds		19,299	584,212	-	603,511	702,867
Property		-	56,215	-	56,215	58,935
Pooled investment vehicles	13	55,127	375,483	8,644	439,254	465,724
Derivative assets	14	-	938,605	-	938,605	532,602
Insurance policies	15	127,363	175,318	-	302,681	124,349
AVC investments	16	-	926	-	926	1,179
Cash		152	42,845	-	42,997	53,959
Other investment balances	17	90	4,372	-	4,462	4,628
		202,031	2,177,976	8,644	2,388,651	1,944,243
Investment liabilities						
Derivative liabilities	14	-	(940,373)	-	(940,373)	(549,634)
Other investment balances	17	-	(164,786)	-	(164,786)	(264,948)
		-	(1,105,159)	-	(1,105,159)	(814,582)
Total net investments	12	202,031	1,072,817	8,644	1,283,492	1,129,661
Fixed assets	20	-	134	-	134	24
Current assets	21	278	1,380	446	2,104	4,081
Current liabilities	22	(250)	(939)	(28)	(1,217)	(1,267)
Net assets as at 31 March 2017		£202,059	£1,073,392	£9,062	£1,284,513	£1,132,499

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 30 June 2017.



D N McGuinness
Trustee



P Rogerson
Trustee

The notes on pages 40 to 55 form part of these financial statements.

Notes to the Financial Statements

for the year ended 31 March 2017

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).

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 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 on settlement date.

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 due.
- 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.

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 2017 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 Open Fund.

- v) Forward contracts are valued at amounts that assume settlement at the spot 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 policies have been valued as provided by the insurance companies.

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

Notes to the Financial Statements

for the year ended 31 March 2017

4 Contributions

2017	Closed Fund	Open Fund		Combined Fund
	£'000	DB Section £'000	DC Section £'000	£'000
Employer contributions:				
Normal	-	4,029	3,309	7,338
Deficit funding	-	1,839	-	1,839
Augmentation	-	2,276	-	2,276
Other	-	-	57	57
Total employer contributions	-	8,144	3,366	11,510
Employee contributions:				
Normal	-	191	348	539
Members' AVC contributions	-	33	-	33
Total employee contributions	-	224	348	572
	£-	£8,368	£3,714	£12,082

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

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 21), 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 to 31 March 2016. However, the final amount that will be recovered is currently unknown, therefore no further amount has been recognised in these financial statements.

5 Transfers in

	2017 £'000	2016 £'000
Open Fund - DC Section		
Individual transfers from other schemes	£83	£107

6 Benefits paid or payable

2017	Closed Fund £'000	Open Fund DB Section £'000	DC Section £'000	Combined Fund £'000
Pensions	10,884	28,453	-	39,337
Commutation of pensions and lump sum retirement benefits	42	6,220	19	6,281
Lump sum death benefits	-	240	111	351
	£10,926	£34,913	£130	£45,969

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

7 Payments to and on account of leavers

2017	Closed Fund £'000	Open Fund DB Section £'000	DC Section £'000	Combined Fund £'000
Individual transfers to other schemes	-	2,956	135	3,091
Refund of contributions	-	-	57	57
	£-	£2,956	£192	£3,148

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

Notes to the Financial Statements

for the year ended 31 March 2017

8 Administration expenses

	Closed Fund £'000	Open Fund DB Section £'000	DC Section £'000	Combined Fund £'000
2017				
General administration:				
Employment costs	306	483	16	805
Office accommodation	40	63	2	105
General expenses	109	182	5	296
Trustees' honoraria	33	53	2	88
	£488	£781	£25	£1,294
Professional services				
Auditor's fees	19	31	1	51
Legal and professional services	35	198	10	243
Actuarial services	25	388	-	413
Other	8	103	1	112
	£87	£720	£12	£819
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

9 Investment income

2017	Closed Fund	Open Fund		Combined Fund
	£'000	DB Section £'000	DC Section £'000	£'000
Income from bonds	348	15,639	-	15,987
Net rents from properties	-	2,630	-	2,630
Income from pooled investment vehicles	349	1,244	-	1,593
Annuity income	11,051	3,810	-	14,861
Derivative cost	-	(6,237)	-	(6,237)
Interest on cash deposits	1	268	-	269
Interest paid under repurchase agreements	-	(1,659)	-	(1,659)
Underwriting commission	-	(2)	-	(2)
	£11,749	£15,693	£-	£27,442

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

Net rents from properties is stated after deducting £474,000 (2016 - £200,000) of property related expenses. Income related to derivative costs and interest paid under repurchase agreements is included in the related income categories.

10 Investment management expenses

2017	Closed Fund	Open Fund		Combined Fund
	£'000	DB Section £'000	DC Section £'000	£'000
Administration, management and custody	40	1,205	-	1,245
Advisory	22	328	2	352
Performance measurement service	20	43	9	72
	£82	£1,576	£11	£1,669

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

11 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 credit in the Revenue Account represents recoverable withholding taxes arising on investment income.

Notes to the Financial Statements

for the year ended 31 March 2017

12 Reconciliation of investments

The movements in investments during the year were:

	Value at 31 March 2016 £'000	Purchases at cost £'000	Sales proceeds £'000	Change in market value £'000	Value at 31 March 2017 £'000
Closed fund					
Bonds	21,808	-	(4,062)	1,553	19,299
Pooled investment vehicles (note 13)	42,539	6,372	(1,962)	8,178	55,127
Insurance policy (note 15)	124,349	-	-	3,014	127,363
	£188,696	£6,372	£(6,024)	£12,745	201,789
Cash	152				152
Other investment balances (note 17)	106				90
	£188,954				£202,031

	Value at 31 March 2016 £'000	Purchases at cost & derivative payments £'000	Sales proceeds & derivative receipts £'000	Change in market value £'000	Value at 31 March 2017 £'000
Open fund - DB Section					
Bonds	681,059	224,312	(408,383)	87,224	584,212
Property	58,935	-	(2,181)	(539)	56,215
Pooled investment vehicles (note 13)	418,903	189,478	(312,629)	79,731	375,483
Derivatives (note 14)	(17,032)	4,718	(2,802)	13,348	(1,768)
Insurance policies (note 15)	-	203,694	-	(28,376)	175,318
AVC investments (note 16)	1,179	47	(413)	113	926
	£1,143,044	£622,249	£(726,408)	£151,501	1,190,386
Cash	53,807				42,845
Other investment balances (note 17)	(260,433)				(160,414)
	£936,418				£1,072,817

	Value at 31 March 2016 £'000	Purchases at cost £'000	Sales proceeds £'000	Change in market value £'000	Value at 31 March 2017 £'000
Open fund - DC section					
Pooled investment vehicles (note 13)	4,282	£3,685	£(339)	£1,016	8,644
Other investment balances (note 17)	7				-
	£4,289				£8,644

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 insurance policies, there are no other individual investments in which more than 5% of the total value of the net assets of the Funds is invested.

13 Pooled investment vehicles

2017	Closed Fund	Open Fund		Combined Fund
	£'000	DB Section £'000	DC Section £'000	£'000
Equities	24,306	111,856	5,374	141,536
Bonds	10,238	-	123	10,361
Property	-	4,846	-	4,846
Diversified	20,583	163,745	3,067	187,395
Cash	-	95,036	80	95,116
	£55,127	£375,483	£8,644	£439,254

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

14 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 2017 the open arrangements may be summarised as follows:

	2017		2016	
	Asset £'000	Liabilities £'000	Asset £'000	Liabilities £'000
Swaps	938,605	(939,892)	532,602	(548,125)
Swaption	-	-	-	(1,492)
Futures	-	(481)	-	(17)
	£938,605	£(940,373)	£532,602	£(549,634)

Swaps

Type	Base	Settlement	Asset value £'000	Liability value £'000
Asset swap	ASSW	2017 – 2050	50,992	(126,690)
Interest rate swap	IRSW	2017 – 2065	772,594	(709,915)
Retail prices index swap	UK RPI	2017 – 2065	106,694	(101,417)
Limited price index swap	UK LPI	2017 – 2058	8,325	(1,870)
Total 2017			£938,605	£(939,892)
Total 2016			£532,602	£(548,125)

The contracts are traded over the counter. The counterparties for all the swaps are banks. At 31 March 2017, the Funds had received collateral of £91,440,000 and pledged collateral of £86,698,000 in a mixture of cash and bonds. This collateral is not reported within the Scheme's net assets.

Notes to the Financial Statements

for the year ended 31 March 2017

14 Derivatives - Open Fund (cont'd)

Swaption

During 2016 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. The option was bought back during the year for £0.78m realising a gain of £1.97m before transaction costs.

Futures

The amount disclosed represents the unrealised loss on a gilt future due for settlement in June 2017.

15 Insurance policies

The insurance policies are bulk annuity policies (also known as a "buy-in") with Pension Insurance Corporation PLC ("PIC") and Just Retirement Limited ("JRL"). The Closed Fund policy secures the benefits of Closed Fund members. The Open Fund policies secure the higher pensions in payment and certain of the "orphan" pensions in payment to pensioners from former participating employers. The policies are written in the name of the Trustees and do not fully discharge their liabilities to those members. The policies have been included in the Net Assets Statement at values provided by PIC and JRL, valued on an actuarial basis. The year-end values represent 63% (2016 - 66%) of the value of the Closed Fund, 16% (2016 - Nil) of the value of the Open Fund and 24% (2016 - 11%) of the total combined assets of the Funds.

16 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:

	2017	2016
	£'000	£'000
Open Fund - DB Section		
Royal London	225	254
Prudential Assurance Company	76	155
Legal & General	625	770
	£926	£1,179

17 Other investment balances

2017	Closed Fund £'000	Open Fund DB Section £'000	DC Section £'000	Combined Fund £'000
Assets:				
Investment revenue receivable	90	3,891	-	3,981
Margin debtor	-	481	-	481
	£90	£4,372	£-	£4,462
Liabilities:				
Amounts due to brokers	-	780	-	780
VAT	-	119	-	119
Repurchase agreements	-	163,887	-	163,887
	£-	£164,786	£-	£164,786
Net investment balances	£90	£(160,414)	£-	£(160,324)
	Closed Fund £'000	Open Fund DB Section £'000	DC Section £'000	Combined Fund £'000
2016				
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)

Repurchase agreements

At the year-end amounts payable under repurchase agreements were due over the period April to May 2017. 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 £169,341,000 which are reported in Funds assets.

Notes to the Financial Statements

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18 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 2017

Closed fund	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Bonds	-	19,299	-	19,299
Pooled investment vehicles	-	55,127	-	55,127
Insurance policies	-	-	127,363	127,363
Cash	152	-	-	152
Other investment balances	90	-	-	90
	£242	£74,426	£127,363	£202,031

Open fund - DB Section	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Bonds	-	584,212	-	584,212
Property	-	-	56,215	56,215
Pooled investment vehicles	-	370,637	4,846	375,483
Derivatives	(481)	-	(1,287)	(1,768)
Insurance policies	-	-	175,318	175,318
AVC investments	225	625	76	926
Cash	42,845	-	-	42,845
Other investment balances	2,992	(163,406)	-	(160,414)
	£45,581	£792,068	£235,168	£1,072,817

Open fund - DC Section	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Pooled investment vehicles	-	8,644	-	8,644
	£-	£8,644	£-	£8,644

18 Investment Fair Value Hierarchy (cont'd)

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	254	770	155	1,179
Cash	53,807	-	-	53,807
Other investment balances	4,372	(264,805)	-	(260,433)
	£58,416	£827,268	£50,734	£936,418

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

19 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.

Notes to the Financial Statements

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19 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. The Funds are also directly exposed to credit risk in relation to the "buy-in" insurance policies with Pension Insurance Corporation and Just Retirement Limited. 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 14).

In the case of the buy-in insurance policies, 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 investment manager, the regulatory environments in which the pooled investment 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 investment 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 12. 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 (£4.8m, 2016: £8.7m). 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.

19 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 61% (2016: 56%) of the Open Fund investment portfolio, excluding the buy-in policies. 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 36% (2016: 48%) of investments being held in return seeking investments, excluding the buy-in policies, 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 most of the Fund's investments in its own investment unit linked funds. 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.

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20 Fixed assets

Open fund - DB Section	Cost £'000	Depreciation £'000
Balance at 1 April 2016	275	251
Additions	151	-
Depreciation charge	-	41
Balance at 31 March 2017	426	292
Net book value at 31 March 2017	£134	
Net book value at 31 March 2016	£24	

At the year-end there were capital commitments of £133,631 (2016: £nil).

21 Current assets

2017	Closed Fund £'000	Open Fund		Combined Fund £'000
		DB Section £'000	DC Section £'000	
Cash in hand	-	1	-	1
Bank balances	270	1,148	432	1,850
External current assets	270	1,149	432	1,851
Debtors:				
Amounts due from employers				
Employer contributions	-	124	13	137
Employee contributions	-	12	1	13
Other debtors	8	48	-	55
External current assets	278	1,332	446	2,056
Interfund balance	-	48	-	48
Individual Funds' current assets	£278	£1,380	£446	£2,104

2016	Closed Fund £'000	Open Fund		Combined Fund £'000
		DB Section £'000	DC Section £'000	
Bank balances	407	1,516	290	2,213
Debtors:				
Amounts due from employers				
Employer contributions	-	1,781	14	1,795
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

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.

22 Current liabilities

2017	Closed Fund £'000	Open Fund DB Section £'000	DC Section £'000	Combined Fund £'000
Other	208	939	22	1,169
External current liabilities	208	939	22	1,169
Interfund balance	42	-	6	48
Individual Funds' current liabilities	£250	£939	£28	£1,217

2016	Closed Fund £'000	Open Fund DB Section £'000	DC Section £'000	Combined Fund £'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

23 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 8.

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 is appointed by the Secretary of State for Work and Pensions. The Ombudsman is completely independent, free and is available to investigate and determine any complaint or dispute of fact or law in relation to an occupational pension scheme. 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. The 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: 0345 600 2541

'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 or the Money Advice Service.

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 Tracing Service, Unit 6-7 Glebe House, Boothem Old Road, Staffordshire, ST4 4EZ.

Website: www.pensiontracingservice.com

Telephone: 0800 027 1300

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 678 1174

The Money Advice Service

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

Website: www.moneyadvice.service.org.uk

Telephone: 0800 138 7777

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

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