

Chairman's Statement

After experiencing declines in equity markets in each of the last three years, like most pension funds in the U.K., I am pleased to report that the ITB Pension Funds have seen a long awaited turnaround over this last year. Equities in both the Closed and Open Funds have increased in value - in both cases above the benchmark your Trustees have set for each Fund. While it would be imprudent to assume that the problems in the financial markets are all now behind us and as yet equities have not recovered to levels seen just a few years ago, it is reassuring to be able to report this improvement.



such as there has been in the past. On receipt of the final valuation, the Trustees will start discussions with the actuary and our investment advisors on the Fund's investment strategy to identify any required changes to our asset allocation in the foreseeable future.

The triennial Actuarial Valuation of the Closed Fund as at the 31 March 2003 was completed during the year. The results disclosed a surplus of £31 million of assets over liabilities and your Trustees applied £10.3 million of this as permitted by the Rules to provide special increases in pensions for pensioners, deferred pensioners and dependants of the Closed Fund payable from May 2004. These increases are in addition to the annual pension increases paid to both the Closed and Open Funds, which for this year was 2.8% based on the increase in the Retail Price Index, where these uplifts will be paid from April 2004.

“...Actuarial Valuation of the Open Fund as at 31 March 2004... The results of this valuation are expected later this year...”

Our actuarial advisor, the Government Actuary's Department, will immediately in our new financial year, start the process of carrying out the triennial Actuarial Valuation of the Open Fund based on the values of its assets and liabilities as at the 31 March 2004. The results will take into account the assumed future performance of the financial markets as well as other factors likely to affect the valuation of the Fund. These factors have already been identified by the actuary and discussed with and approved by the Trustees and the Participating Employers. The results of this valuation are expected later this year and will be advised to Members in a future issue of the "ITB Pension News". Given the decline in the market valuation of some of the Open Fund's assets over the period since the last Actuarial Valuation and the change in such factors as the increasing longevity of the population as a whole, it would be unrealistic to anticipate, on this occasion, any distributable surplus

Your Trustees take very seriously the essential task of balancing investment growth with security of the Funds in order to achieve their long term needs. A major objective for us is the maintenance of well preserved pension arrangements in partnership with the Participating Employers. The basis for our investment policy is set out in the Trustees' Statement of Investment Principles (SIPS). These Statements essentially govern the investment policy of the Funds. A full version of SIPS can be viewed by accessing the ITB Pension Funds website on www.itb-online.co.uk. The Trustees review these Statements at least once every year, or when they consider a review is necessary for other reasons, such as an unexpected change in asset values. Any significant changes in SIPS are only made after consultation with our investment and actuarial advisors and the Participating Employers.

“Your Trustees take very seriously the essential task of balancing investment growth with security of the Funds in order to achieve their long term needs.”

Contents

Summary of the Trustees Report and Financial Statements 2004	pages 1-7
My ITB interactive website	page 8
Additional Voluntary Contributions	page 8

As I mentioned in last year's report, there are Government plans to significantly change the present taxation regimes for pensions as well as other major reforms to the way pension funds are administered. These plans are now well into the discussion stage with the publication of the Pensions Bill and the flow of revised and new proposals as the Bill makes its way through Parliament. Perhaps the most important reform in the Bill is the proposed provision of a Pension Protection Fund (PPF) which will be established to pay some benefits where an employer becomes insolvent and a defined benefit (DB) pension scheme is unable to meet its liabilities. The PPF will be funded by a levy on existing DB pension schemes and it is intended that the Bill becomes law by April 2005. There is also a Finance Bill in progress which will affect the tax position of all members of DB pension schemes including the replacement of the current several tax regimes by one only, changes to the minimum pension age and revised limits of annual contributions. The present timetable is to implement these tax simplification changes in April 2006.

“...there are Government plans to significantly change the present taxation regimes for pensions... The present timetable is to implement these tax simplification changes in April 2006.”

These changes have imposed a heavy workload this year, which will increase even more next year, on the Trustees, staff and our actuarial and legal advisors. The most important outcome of this involves revising the Trust Deed and Rules. This is being done by means of a two stage review:

- to implement a detailed review of the present Trust Deed and Rules in order to simplify them and incorporate recent deeds of variation
- after agreement with the Employers on the introduction of this revised Trust Deed and Rules, to propose, agree and introduce further revisions that will be necessary to implement all the changes that will be required to the way the ITB Pension Funds are administered by the new Pensions Bill after enactment together with the associated Finance Act.

Following a review of the prospects for pension fund provision in the future, Employers participating in the Open Fund agreed that changes should be introduced to the Fund in order to maintain its long term security. As a result, with effect from September 2003, a New Section of the Open Fund has been established for those Employers who wish to offer it to their new employees. Although the benefits offered are different to those in what is now known as the Old Section of the Open Fund, it is still a defined benefit or final salary scheme. Most of the Participating Employers are now offering this New Section to their new employees.

Given the widely diversified nature of the ITB Pension Funds membership, both professionally and

geographically, the Internet is an increasingly important part of our evolving communication strategy and we continue to develop and apply web based technology to provide improving services to Members and Employers. Considerable time and effort has been expended in our most recent development of an interactive pension benefit modelling program. This new facility named “My ITB” empowers Members to take on-line personal interest and control of their own, individual pension planning including such features as estimating at any time their projected pension payments and the effect on these projections of making or altering Additional Voluntary Contributions. It will begin trials in mid 2004 at two Employer test sites before its intended introduction to all Members later in the year.

“...the Internet is an increasingly important part of our evolving communication strategy...”

The Board of Trustees has been through another demanding year dealing with the numerous and ever more complex issues relating to pension provision and I have mentioned earlier some of the significant legislation that is being introduced, not just from Westminster but also from Europe, which will have major effects on the ITB Pension Funds. This is in addition to the day to day matters which require Trustees attention and decisions. I am most grateful and give thanks to all Trustees who have served over the past year for their consistently valuable contribution and support which is given so generously to the Funds.

Throughout this past year the management and staff at the Funds’ office, under the leadership of Director Vincent Gordon, have again demonstrated their dedication and ability to meet the challenges in administering the ITB Pension Funds as well as dealing with the problems of Members and Employers on a daily basis. This was a particularly difficult year for them since they maintained their usual high standards during a six month, long overdue refurbishment of the office at Watford which caused severe disruption and inconvenience, especially during the hot weather last summer. On behalf of my fellow Trustees I thank them sincerely for their professionalism, service and patience.

Finally, I am pleased to be able to report that both the Closed and Open Funds are in good shape and have benefitted from a rebound in the equity markets as well as seeing improvements in our other assets over the year. Although we are still experiencing volatility and a certain amount of caution in the global financial markets due to a variety of factors, mostly from outside of the U.K., I am encouraged that we are seeing signs of improvement which should result in the sustainable security of the ITB Pension Funds in the future.



NORMAN DUNLOP CBE
Chairman of Trustees

2 July 2004

Board of Trustees

The Trustees are individuals who administer the ITB Pension Funds in accordance with the Trust Deed and Rules for the benefit of the Members. The Trust has been set up independently from the Participating Employers businesses. The ITB Pension Funds are controlled by 18 Managing Trustees consisting of nine Employer, seven Member and two Pensioner Trustees.

The Trustees are as follows:

Mr NNW Dunlop, CBE *Employers' Trustee*
(Chairman)
Nominated by:
Engineering Construction ITB
(Formerly Managing Director of Foster Wheeler Energy Limited)



Mr KJF Potter *Members' Trustee*
(Deputy Chairman)
Nominated by:
JTL
Scottish Electrical Charitable Training Trust
(Financial Controller for JTL)



Mr G Beveridge *Employers' Trustee*
(Deputy Chairman)
Nominated by:
Cogent SSC Limited
(Management Consultant)



Professor T Cannon *Employers' Trustee*
Nominated by:
CAPITB plc
Automotive Skills Limited
Road Haulage and Distribution Training Council
Skills for Logistics
(Chief Executive Officer of Respect)



Mr DC Barnett *Pensioners' Trustee*
Nominated by:
Open Fund Pensioners
Previously Road Transport ITB
(Retired – Formerly Director General of RTTB)



Mr NWD Gall *Members' Trustee*
Nominated by:
Cogent SSC Limited
CAPITB plc
Polymer National Training Organisation Limited
(name changed to The Polymer Education and Training Trust Limited with effect from 6.5.04)
Automotive Skills Limited
Road Haulage and Distribution Training Council
Skills for Logistics
(Human Resources Manager for Cogent)



Mr JR Cushing *Members' Trustee*
Nominated by Trade Union for:
Engineering Construction ITB (ECITB)
(Lead Verifier - Competence Assurance Team for ECITB)



Mr SG Ingram *Employers' Trustee*
Nominated by:
Science, Engineering and Manufacturing Technologies Alliance
(Managing Director of SG -Ingram: Actuary Ltd)



Mr RS Hanks *Employers' Trustee*
Nominated by:
Polymer National Training Organisation Limited (name changed to The Polymer Education and Training Trust Limited with effect from 6.5.04)
(Managing Director of Ian Burg Plastics Ltd)



Mr P McCulloch *Members' Trustee*
Nominated by Trade Union for:
Construction ITB (CITB)
(Training Adviser for CITB)



Mrs M Moore *Members' Trustee*
Nominated by:
Lantra
(Director of Policy – Employer Engagement for Lantra)



Mr HO Parker *Pensioners' Trustee*
Nominated by:
Closed Fund Pensioners
Previously Printing and Publishing ITB
(Retired – Formerly Advisory Services Manager for PPIB)



Mr PG Rogerson, OBE *Employers' Trustee*
Nominated by:
Construction ITB (CITB)
(Deputy Chairman of CITB)



Mr JF Swift *Employers' Trustee*
Nominated by:
Lantra
(Group Managing Director of BHF Group)



Mr D Stanton *Employers' Trustee*
Nominated by:
Hospitality Training Foundation (HTF) (name changed to People 1st with effect from 22.6.04)
(Finance and Technical Director for HTF)



Mr EA Whatmore *Members' Trustee*
Nominated by Trade Union for:
Science, Engineering and Manufacturing Technologies Alliance (SEMTA)
(Sector Skills Adviser for SEMTA)



Mrs MJ Webster *Members' Trustee*
Nominated by:
Hospitality Training Foundation (HTF) (name changed to People 1st with effect from 22.6.04)
(Payroll Administrator for HTF)



Mr DPB Young *Employers' Trustee*
Nominated by:
JTL
Scottish Electrical Charitable Training Trust (SECTT)
(Retired - Formerly Chief Executive of SECTT)



Changes to the Trustees

Member Trustees'

Mr EA Whatmore, the Member Trustee for Science, Engineering & Manufacturing Technologies Alliance retired by rotation on 31 March 2004 and was re-appointed to serve for a further term from 1 April 2004.

Mr JR Cushing, the Joint Member Trustee representing Engineering Construction ITB, Automotive Skills Limited, Skills for Logistics, Road Haulage & Distribution Training Council, Polymer National Training Organisation and CAPITB plc retired by rotation on 31 March 2004. However, as his Employer Engineering Construction ITB became one of the larger Employers they were therefore entitled to appoint their own Member Trustee. Mr Cushing was appointed to commence a term as Member Trustee for Engineering Construction ITB from 1 April 2004.

Mr DLW Taylor, the Member Trustee representing RGIT Montrose Limited and Cogent SSC Limited, relinquished his appointment on 8 August 2003 as a result of his Employer RGIT Montrose Limited withdrawing from the Scheme.

Mr NWD Gall became the Joint Member Trustee representing Cogent SSC Limited, Polymer National Training Organisation, CAPITB plc, Automotive Skills Limited, Skills for Logistics and Road Haulage & Distribution Training Council, as a result of an election by ballot to serve a term in office from 1 April 2004. Cogent SSC Limited had become one of the smaller Employers as a result of RGIT Montrose Limited, with whom they had previously joined to nominate a Trustee, withdrawing from the Scheme.

Pensioner Trustees

The periods of office of the two Pensioner Trustees, Mr DC Barnett (Open Fund) and Mr HO Parker (Closed Fund), are due to end on 30 September 2005.

Employer Trustees

Mr DPB Young, the Employer Trustee for JTL/Scottish Electrical Charitable Training Trust, retired by rotation on 31 March 2004 and was duly re-appointed to serve for a further term from 1 April 2004.

Mr RS Hanks, the Joint Employer Trustee representing Polymer National Training Organisation, Automotive Skills Limited and Skills for Logistics and Road Haulage & Distribution Training Council relinquished his appointment, as his Employer, Polymer National Training Organisation Limited, became one of the larger Employers and were therefore entitled to appoint their own Employer Trustee. Mr Hanks was appointed to commence a term as Employer Trustee for Polymer National Training Organisation from 1 April 2004.

Professor T Cannon, the Employer Trustee for CAPITB plc, relinquished his appointment on 31 March 2004, as a result of the Employer appointing him becoming one of the smaller Employers.

Professor T Cannon was subsequently appointed the Joint Employers' Trustee for CAPITB plc, Automotive Skills Limited, Skills for Logistics and Road Haulage & Distribution Training Council on 1 April 2004, succeeding Mr RS Hanks as a result of Polymer National Training Organisation becoming one of the larger Employers.

Following RGIT Montrose Limited withdrawing from the Scheme Mr G Beveridge, the Deputy Chairman of the Employers' Trustees and Employer Trustee for RGIT Montrose Limited and Cogent SSC Limited, continues in office from 1 April 2004 as Employer Trustee for Cogent SSC Limited.

Chairman

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

Deputy Chairmen

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

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

Trustee Training

On appointment, special arrangements are made for new Trustees to attend a Trustees' training course organised by outside providers. In addition, regular training opportunities are provided throughout the year and at least one annual Training Seminar for all the Trustees is organised internally.

Meetings

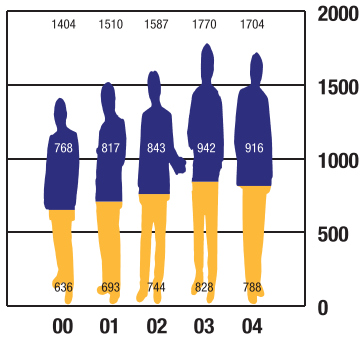
The Trustees normally meet at least four times a year where they are presented with detailed information by the Director, the Funds legal and actuarial advisers and by two Committees – the Investment Committee and the Management Panel – serving the Trustees. On these occasions matters of significance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

The Investment Committee also usually meet on at least five occasions during the year to review investment strategy and investment managers performance and consider advice from the Trustees' investment advisers.

The Management Panel, has been delegated responsibility to consider matters in more detail than is generally possible for the full Trustee board and submit recommendations for Trustees approval. The Management Panel meet as and when required.

Membership at 31 March 2004

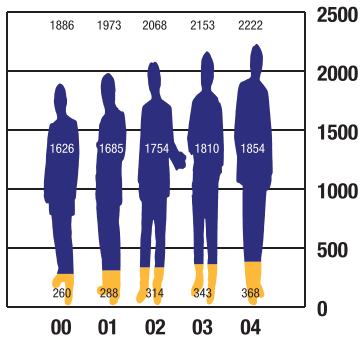
Summary 2000-2004



Active Membership - Open Fund

GRAPH KEY: ■ Females ■ Males

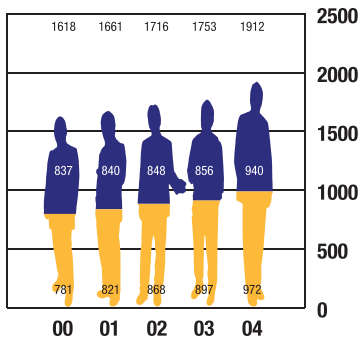
2004	Males	Females	Total
Under 30	60	146	206
30 - 34	76	121	197
35 - 39	87	134	221
40 - 44	161	118	279
45 - 49	162	100	262
50 - 54	146	83	229
55 - 59	163	65	228
60 - 64	61	21	82
TOTAL	916	788	1704



Pensioners - Open Fund

GRAPH KEY: ■ Dependants ■ Members

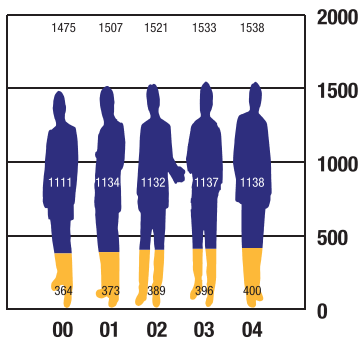
2004	Males	Females	Total
Under 50	3	3	6
50 - 54	35	11	46
55 - 59	141	70	211
60 - 64	225	115	340
65 - 69	363	112	475
70 - 74	327	77	404
75 - 79	195	54	249
80+	106	17	123
Subtotal	1395	459	1854
Dependents			368
TOTAL	1395	459	2222



Preserved Pensions - Open Fund

GRAPH KEY: ■ Females ■ Males

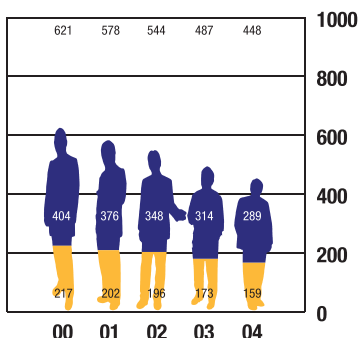
2004	Males	Females	Total
Under 40	120	298	418
40 - 44	152	220	372
45 - 49	204	167	371
50 - 54	204	141	345
55 - 59	194	134	328
60 - 64	66	12	78
65+	0	0	0
TOTAL	940	972	1912



Pensioners - Closed Fund

GRAPH KEY: ■ Dependants ■ Members

2004	Males	Females	Total
Under 50	0	0	0
50 - 54	0	1	1
55 - 59	9	4	13
60 - 64	50	63	113
65 - 69	153	62	215
70 - 74	197	71	268
75 - 79	148	81	229
80+	194	105	299
Subtotal	751	387	1138
Dependents			400
TOTAL	751	387	1538



Preserved Pensions - Closed Fund

GRAPH KEY: ■ Females ■ Males

2004	Males	Females	Total
Under 40	0	0	0
40 - 44	1	2	3
45 - 49	7	16	23
50 - 54	48	50	98
55 - 59	136	90	226
60 - 64	95	1	96
65+	2	0	2
TOTAL	289	159	448

Officers and Advisers at 31 March 2004

Officers

Director	Mr VC Gordon APMI
Accountant	Mr DC Faulkner FCA
Communications & Benefits Manager	Mr DJ Matthews APMI

Advisers

Actuary	Government Actuary
Solicitors	Mayer, Brown, Rowe & Maw LLP
Investment Managers	Barclays Global Investors Limited
	Fidelity Pensions Management Limited
	Morley Fund Management Limited
	Schroder Investment Management (UK) Limited
Property Investment Managers	Fletcher King
Investment Advisers	Watson Wyatt Worldwide
	Russell/Mellon Europe Limited
Custodians	JP Morgan Chase Bank
	Barclays Global Investors Limited
	Universal Pension Trustees Limited
Auditors	Chantrey Vellacott DFK

Mr VC Gordon (left)
Mr DC Faulkner (right)
Mr DJ Matthews (centre)



Financial Summary

	Closed fund £'000	Open fund £'000
Value of Funds at 31 March 2003	196,617	397,571
Income		
Contributions	-	2,762
Transfer values received	-	461
Income from investment	4,783	11,386
Total income	4,783	14,609
Expenditure		
Pensions and other benefits	(9,984)	(17,439)
Transfer values paid	(53)	(169)
Administration expenses	(436)	(881)
Total expenditure	(10,473)	(18,489)
Balance deducted from value of Funds brought forward	(5,690)	(3,880)
Net movement in market value of investments and unrealised gain movements	15,522	72,457
Value of Funds at 31 March 2004	206,449	466,148

Investment Report

The Trustees employ external fund managers who have discretion to invest the Funds' assets within the overall investment policy laid down by the Trustees. This policy, over the long term, aims to achieve good investment growth while maintaining a strong funding position for the Open Fund.

Moreover, to minimise risks to the Funds the equity and bond asset sections of the portfolios are invested across various investment categories and geographical areas.

As the Closed Fund has no active members or current

Participating Employers an investment strategy has been adopted whereby the liabilities have been broadly matched by an underlying portfolio of index-linked gilts. The ITB Pension Funds' assets are invested in accordance with the Occupational Pension Schemes (Investment) Regulation 1996. The Funds do not invest in any of the Participating Employers' businesses.

No individual shareholding forms more than 5% of the total value of each Fund's investments and no investment represents more than 3% of the share capital of the Company concerned.

Pension Increases

Pensions in payment from the ITB Pension Funds are increased as follows:				
	Closed Fund	Open Fund (Old Section)	Open Fund (New Section)	The State:
Before State Pension Age the Scheme increases total pension by:	RPI	RPI	RPI, up to a maximum of 5% in any one year	Nil
After State Pension Age the Scheme pension in excess of GMP increases by:	RPI	RPI	RPI, up to a maximum of 5% in any one year	N/A
<u>and</u>				
GMP accrued between: <i>6 April 1978 to 5 April 1988</i> increases by:	Nil	Nil	Nil	RPI
<i>6 April 1988 to 5 April 1997</i> increases by:	Lesser of 3% and RPI	Lesser of 3% and RPI	Lesser of 3% and RPI	Excess of RPI over 3%

Supplementary Information

Pension Schemes Registry

The registrar of Occupational and Personal Pension Schemes, is maintained by OPRA. Information about the Scheme, including current and previous employers associated with the Scheme, has been forwarded to the registrar in accordance with Regulations. The registry enables members to trace schemes with which they have lost touch. Should you need to contact the Registrar at any time, you should do so using Form PR4 (copies of which are available from the Pension

Scheme Registry). This should then be sent to the Registrar of Pension Schemes, Occupational Regulatory Authority, PO Box, 1NN, Newcastle upon Tyne, NE99 1NN. (Scheme Reference No. 10169800)

Inland Revenue Approval

The ITB Pension Funds have exempt approval under Chapter 1 of part XIV of the Income and Corporation Taxes Act 1988. (Inland Revenue Reference No. SF49/1669)

Launch of Funds' Interactive Website "My ITB"

Further to the success of the Funds' well received website www.itb-online.co.uk it has been enhanced by the addition of an interactive section entitled "My ITB".

"My ITB" enables Members to take more interest and control of their pension planning. It is protected by a secure login and password system. Key elements of the new system include:

- interactive, online access to personal pensions information for scheme members and pensioners on a remote basis
- the ability to forecast pensions via an interactive pensions and AVC modeller
- advanced help and 'how to' functions
- consistent look and feel based on existing printed Funds literature
- easy to use technology avoiding the need for training

With many Members valuing the option of accessing information from their home PCs, the ability to present easily understandable and accessible pensions information online was a key challenge. The objective is to cut through the complexities to deliver fast, easy to understand 'live' information to members about their pensions benefits, to enable them to take a much

more active interest in their pension planning and gain a better understanding of what they may receive from the ITB Pension Funds at retirement.

Currently, "My ITB" is on pilot release to the membership of two of the Funds' Participating Employers and we are pleased to report that the initial feedback from Members trialling "My ITB" has been very positive. It is hoped that once released to all other Members they will feel that "My ITB" gives them a joined-up picture of their ITB pension arrangements that they can easily appreciate and respond to.

It is intended to roll-out "My ITB" to Members of all other Employers in the latter part of the year. Members will be kept informed of developments and will be contacted when "My ITB" is available for use.

Pensioners and deferred pensioners also have access to "My ITB" where they may view and change certain personal details remotely. Of course, because pension benefits are either already in payment or have been secured at point of leaving service in the case of deferred pensioners some sections of the site will not be relevant to them.

Any ITB pensioner, spouse or deferred pensioner wishing to receive access details to the site should contact the Funds Office on Pensions@itbpensionfunds.demon.co.uk or write to the address as shown below.

Additional Voluntary Contributions (AVCs)

In line with the strategy to minimise the risks the Open Fund is subject to, the Trustees have recently withdrawn the facility to purchase additional pensionable service in the Open Fund by way of AVCs, (commonly referred to as "Added Years" AVCs). The change does not affect Members with existing 'Added Years' contracts who may continue their contracts as originally agreed.

All active Members of the Open Fund do, however, still have access to the other Moneypurchase AVC options provided by the Trustees including the Prudential range of funds.

These particular AVC facilities continue to provide active Members with a way of building up extra

retirement income and obtain certain tax advantages in the process. Members also have the convenience of having AVCs deducted directly from pay.

There is a wide range of investment choice under the Moneypurchase AVC facilities offered. When thinking of paying AVCs, Members should consider their circumstances carefully such as length of time to retirement and their personal attitude to risk. Then identify which fund available best suits their needs.

Further details may be obtained from the ITB Pension Funds website on www.itb-online.co.uk or by email on Pensions@itbpensionfunds.demon.co.uk, telephone on 01923 226264 or the address below.

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

Telephone: 01923 226264

Website: www.itb-online.co.uk E-mail to: pensions@itbpensionfunds.demon.co.uk