

Introduction

In line with legislation governing the administration of pension schemes the Trustees produce an Annual Report and Accounts.

The formal Report and Accounts for the year ended 31 March 2003 have been audited and is available to members from the Funds' Office at the address below or viewed over the ITB Pension Funds website www.itb-online.co.uk enabling a saving to be made on printing and postage costs.

The purpose of this Report is to provide a summary of the main features of the Funds' Accounts for the period and give some background information. You will find information about the finances of the Funds and how the Funds' assets are invested to provide for future benefits. Details of who administers the Funds and the specialist advisers involved are included. Also announced are the changes to the Trustees following the resignations and new appointments which occurred during the period.

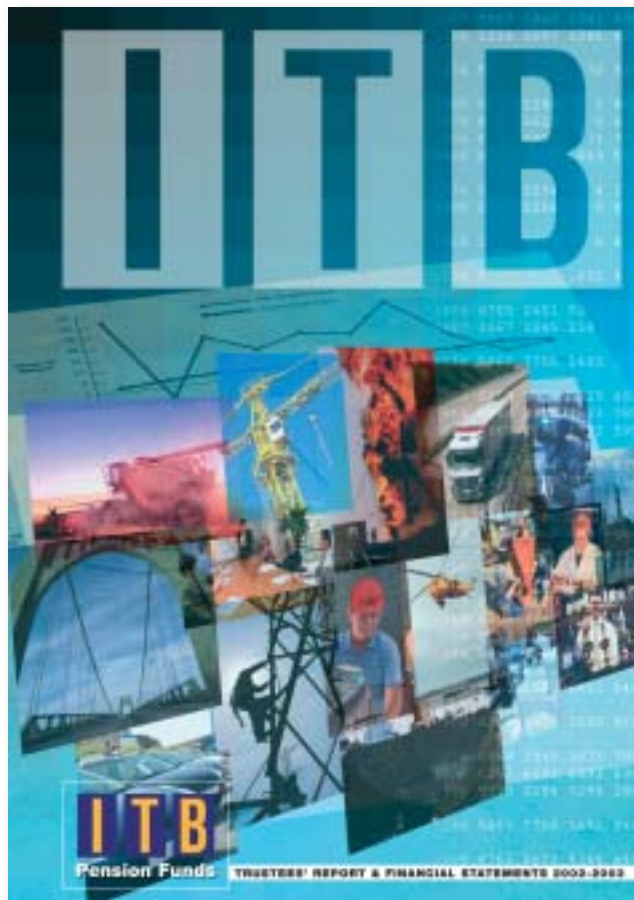
We hope you will find this summarised version of the Trustees Report and Accounts useful and informative.

About the Funds

The ITB Pension Funds – Open Fund and Closed Fund sections – are set up under a Trust Deed and Rules and administered by a Board of Managing Trustees comprising of Member, Pensioner, and Employer Trustees. The assets of the Funds are separate from those of its participating Employers and, in the case of the Open Fund, are invested by independent investment managers who are appointed by the Managing Trustees. The Closed Fund has no active members or current participating Employers and is predominantly invested in Index-Linked Gilts.

Employees of participating Employers may join the ITB Pension Funds (Open Fund) subject to eligibility conditions.

The Open Fund is a “final salary scheme” and provides pension and life assurance benefits based on a member's salary and service.



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

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

Chairman's Statement

Like most pension funds in the UK, the ITB Pension Funds have experienced one of the most difficult years for equity markets in recent history coming as it did as the third consecutive year of decline in market values. Continuing weakness in the global economy, together with ongoing problems with corporate performance and ethics and concerns about international tensions have tended to hold back any sustainable economic recovery.

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“...balancing the security of our investments while at the same time maintaining the potential for growth in the Fund”
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As I reported last year, your Trustees had carried out the necessary preparation by the beginning of this reporting year, to implement changes to the asset allocation within the Open Fund. These changes, reflecting our policy of balancing the security of our investments while at the same time maintaining the potential for growth in the Fund, saw us reduce our holding in UK equities and increase the share in gilts and bonds just before the significant equity market decline which started in late June and continued through to the end of 2002. We are prepared to make further strategic changes to asset allocations, which have already been identified, when appropriate.

The Trustees' investment ethos is set out in our Statements of Investment Principles (SIPS). These Statements outline the broad tenets governing 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 or may be obtained by requesting a copy from the Funds' Office. The Trustees review these Statements at least once a year, or when they consider a review is necessary for other reasons such as a significant change in asset values. Any resulting changes to SIPS are only made after consultation with our investment and actuarial advisors and the participating Employers.

Your Trustees place great importance on the need to prudently manage the Funds in such a way as to safeguard Members' expectations and protect their interests. As part of this undertaking, the Trustees continually monitor the Funds' financial status between formal Actuarial Valuations which are normally carried out every three years. This was considered particularly necessary because of the recent financial market declines. We therefore asked the Funds' actuary for an update on the state of the Open Fund in July 2002 and again near to our year end. Notwithstanding the

extensive falls in world equity markets in this past year, I am pleased to be able to report that the actuary remains satisfied that the Open Fund continues to be in a sound ongoing financial situation. The next Actuarial Valuation of the Open Fund will be carried out based on the value of its assets and liabilities as at the 31 March 2004.

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There will be an Actuarial Valuation of the Closed Fund carried out as at the 31 March 2003. In assessing the Fund's assets and liabilities, the actuary will take into account such factors as the increasing longevity of Pensioners and the projected investment returns likely to be secured in the future. As a closed scheme which consists solely of Pensioners and Deferred Pensioners, and where there are no contributing Members or Employers, the overriding objective is to minimise investment risk. Accordingly, the majority of assets in the Closed Fund are invested in UK indexed linked securities (index linked gilts and bonds) with the remainder in equities. The results of this valuation are expected later in the year and will be advised to Members in a future issue of the Funds' newsletter, the 'ITB Pensions News'.

During this past year we have been considering and implementing the recommendations of the Myners Report which proposed a series of principles covering pension fund investment. The Government has revised and reissued these principles and, whilst stating that these are not regulations or legislation, they have suggested that pension funds comply with both the spirit and the intention of these principles. We have been taking steps, where appropriate, to incorporate these into our working practices and procedures and the Trustees now consider that the ITB Pension Funds currently comply with most of these recommendations. There are a few of the principles, however, such as shareholder activism where we are still awaiting further guidance or are in discussion with our advisors and investment managers to agree what will constitute best practice for our Funds.

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.....

Like others in pension fund management, we have also to be aware and ready for continuing Government changes to regulations and legislation affecting the pensions industry. This has recently been manifested in December 2002 when the Government issued two consultation documents relating to the pensions industry - a Green Paper aimed at reforming the system of pension provision in the UK and a joint Inland Revenue/HM Treasury proposal with the central theme of simplifying the number of tax regimes for pensions which include proposals for changes to limits on contributions and benefits. The proposed simplification is generally considered to be a pragmatic solution to a currently complex tax situation which could have implications for many Members of our Funds. The intended effective date for the introduction of these changes is 6 April 2005. We will, however, be closely following these proposed developments.

We have also been aware of the Government initiatives directed at bringing about change to the training industry which is resulting in the replacement of National Training Organisations (NTOs) by the creation of Sector Skills Councils. This is likely to lead to changes in the way participating Employers in the ITB Pension Funds carry out their business and may lead to amalgamations between NTO's, the restructuring of some and perhaps the formation of new organisations. This will undoubtedly have some effect on the ITB Pension Funds as well and so we shall continue to monitor these developments and take any necessary and appropriate action in so far as these changes may have consequences for the Open Fund. Many active Members of the Open Fund commit to further regular savings for their retirement by making Additional Voluntary Contributions, often referred to as AVCs, which are used to secure an enhanced pension on retirement. We have arranged, in conjunction with Prudential, a further choice of AVC options for Members and more information on these can be obtained from the Funds' website or by contacting the Funds' Office.

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“The Internet is... playing an increasingly important part in the provision of the services we can deliver”
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The increasing use of technology in the office workplace is now one of the foremost and effective means for achieving greater efficiencies in administration work. The ITB Pension Funds' Office continues to maximise its use to improve and enhance the services it provides to all classes of Member and to the participating Employers. The Internet is an

obvious example and we are seeing this method of communication between Members and Employers and the Funds' Office being more widely used and playing an increasingly important part in the provision of the services we can deliver. We are presently working on the development of Stage 2 of our website which when completed will offer further opportunities for Members to access information including personal data.

This past year has been yet another demanding time for the Board of Trustees who have had to deal with the volume and complexity of topics relating to pensions provision that seem to increase year by year as well as with the day to day matters that require their attention. In addition to the time they spend preparing for and attending formal meetings of the full board of Managing Trustees, some also serve on the Management and Investment Committees. I wish to give my sincere thanks to all Trustees who have served over the past year, in giving so generously of their time and energy, and to express my gratitude for the support they have given me. I consider it a privilege to be given the opportunity to serve as Chairman of this Board for a further term of three years, having been re-appointed by my fellow Trustees with effect from 1 April 2003.

No expression of thanks would be complete without a special mention of the management and staff of the ITB Pension Funds, who have worked so hard and diligently under the leadership of the Director, Vincent Gordon. Their dedication in resolving Members and Employers queries and problems, assisting the Trustees to deal with the complexity of issues to be addressed by them and maintaining the smooth running of the Office is very much appreciated by us and on behalf of my fellow Trustees I thank them for their efforts.

Once again it is reassuring to know that your Funds have stood up well over the past difficult year for pension funds and their investments. As we start a new financial year, the positions of both the Closed and Open Funds remain strong despite the falling value of some of our assets and at a time when pension funds generally are under extreme pressure as is widely reported in the press. Global financial markets are still experiencing volatility which affects investment and until the underlying causes of this are resolved it is very difficult to get any kind of consensus on future performance.



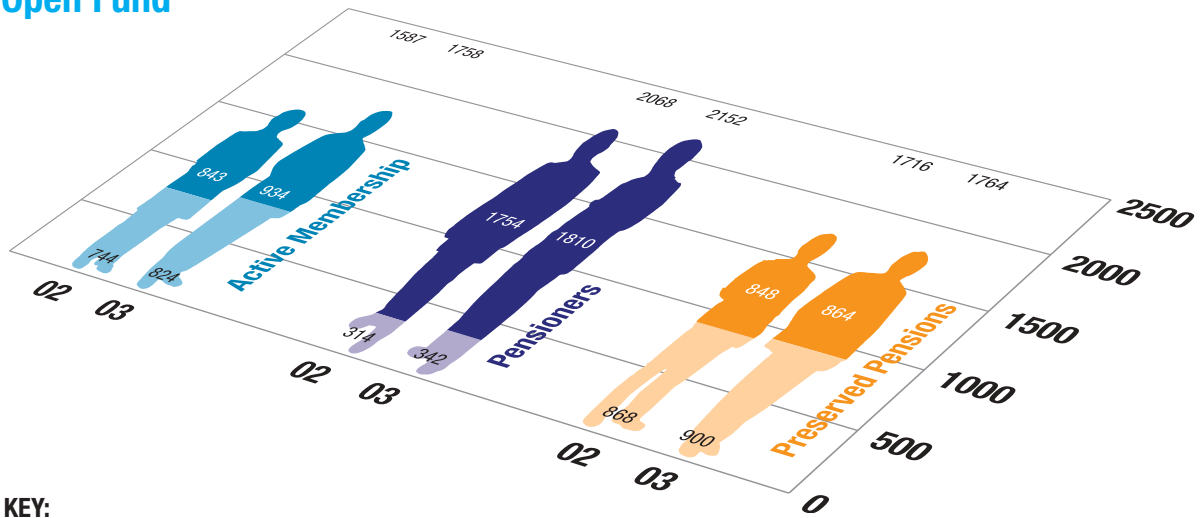
NORMAN DUNLOP CBE
Chairman of Trustees

4 July 2003

Membership

The ITB Pension Funds consist of two separate Funds. The Open Fund and the Closed Fund. All active Members are in the Open Fund.

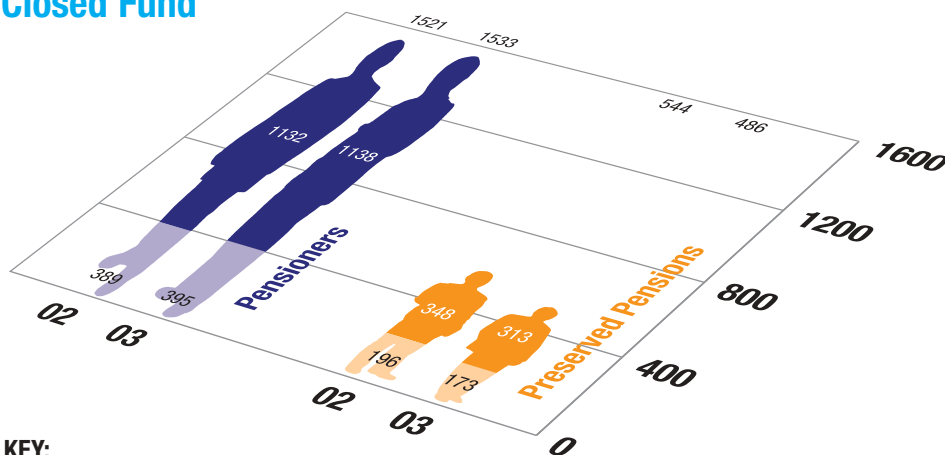
Open Fund



KEY:

- Males
- Members
- Males
- Females
- Dependants
- Females

Closed Fund



KEY:

- Members
- Males
- Dependants
- Females

Pension Increases

The Funds' rules provide for pensions to increase each year in line with the Retail Price Index.

Guaranteed increases have been granted to pensions under the ITB Pension Funds since 1971 and details of the most recent increases are shown in the table below.

All references to increases in pension relate to the excess of the ITB Pension over the Guaranteed Minimum Pension (GMP) payable from State Pension Age, i.e. the minimum pension required to be paid by the Funds' as a consequence of contracting-out of the State Earnings Related Pension Scheme (SERPS) – now the Second State Pension (S2P).

Date of Increase	12 April 1999	10 April 2000	9 April 2001	8 April 2002	7 April 2003
In line with Retail Price Index from Date of Retirement	3.20%	1.10%	3.30%	1.70%	1.70%

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.

Financial Summary

	Closed fund £'000	Open fund £'000
Value of Funds at 31 March 2002	205,443	485,992
Income		
Contributions	-	2,098
Transfer values received	-	1,347
Income from investment	4,969	10,946
	4,969	14,391
Expenditure		
Pensions and other benefits	(9,884)	(17,086)
Transfer values paid	(57)	(87)
Administration expenses	(385)	(844)
	(10,326)	(18,017)
Balance deducted from value of Funds brought forward	(5,357)	(3,626)
Net movement in market value of investments and unrealised gain movements	(3,469)	(84,795)
Value of Funds at 31 March 2003	196,617	397,571

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:

Employer Trustees

- 1 Mr NNW Dunlop, CBE** (Chairman)
Appointed by: Engineering Construction ITB
(Formerly Managing Director of Foster Wheeler Energy Limited)
- 2 Mr G Beveridge** (Deputy Chairman)
Appointed by: Cogent SSC Limited
RGIT Montrose Limited
(Management Consultant)
- 3 Professor T Cannon**
Appointed by: CAPITB plc
(Chief Executive Officer of Respect)
- 4 Mr RS Hanks**
Appointed by: Polymer National Training Organisation Limited
Motor Industry Training Council Limited
Road Haulage and Distribution Training Council
(Managing Director of Ian Burg Plastics Ltd)
- 5 Mr SG Ingram**
Appointed by: Science, Engineering and Manufacturing Technologies Alliance
(Managing Director of SG Ingram: Actuary Ltd)
- 6 Mr PG Rogerson**
Appointed by: Construction ITB (CITB)
(Deputy Chairman of CITB)
- 7 Mr D Stanton**
Appointed by: Hospitality Training Foundation (HTF)
(Finance and Technical Director for HTF)
- 8 Mr JF Swift**
Appointed by: Lantra
(Group Managing Director of BHF Group)
- 9 Mr DPB Young**
Appointed by: JTL
Scottish Electrical Charitable Training Trust (SECTT)
(Formerly Chief Executive of SECTT)

Member Trustees

- 10 Mr JR Cushing**
Appointed by: Engineering Construction ITB (ECITB)
Polymer National Training Organisation Limited
Motor Industry Training Council Limited
Road Haulage and Distribution Training Council
CAPITB plc
(Manpower Development Adviser – Competence Assurance Team for ECITB)
- 11 Mr P McCulloch**
Appointed by: Construction ITB (CITB)
(Training Adviser for CITB)
- 12 Mrs M Moore**
Appointed by: Lantra
(Director of Policy – Employer Engagement for Lantra)
- 13 Mr KJF Potter** (Deputy Chairman)
Appointed by: JTL
Scottish Electrical Charitable Training Trust
(Financial Controller for JTL)
- 14 Mr DLW Taylor**
Appointed by: Cogent SSC Limited
RGIT Montrose Limited (RGIT)
(Fire Instructor for RGIT)
- 15 Mrs MJ Webster**
Appointed by: Hospitality Training Foundation (HTF)
(Payroll Administrator for HTF)
- 16 Mr EA Whatmore**
Appointed by: Science, Engineering and Manufacturing Technologies Alliance (SEMTA)
(Sector Skills Adviser for SEMTA)

Pensioner Trustees

- 17 Mr DC Barnett**
Appointed by: Open Fund Pensioners
(Retired – Formerly Director General of Road Transport ITB)
- 18 Mr HO Parker**
Appointed by: Closed Fund Pensioners
(Retired – Formerly Advisory Services Manager for Printing and Publishing ITB)

Changes to the Trustees

Member Trustees

Mr. P. McCulloch became the Member Trustee for Construction ITB on 17 January 2003, succeeding Mr. G.A. Eagle who retired from service.

Mrs. M. Moore became the Member Trustee for Lantra, succeeding Mr. T. Howard who retired from service.

Pensioner Trustees

Following a ballot of pensioners and deferred pensioners Mr. H.O. Parker (Closed Fund) and Mr. D.C. Barnett (Open Fund), were duly re-appointed as Pensioner Trustees with effect from 1 October 2002.

Employer Trustees

Professor T. Cannon became the Employer Trustee for CAPITB plc on 1 August 2002 succeeding Mr. G. Edward who resigned from office.

Mr. S.G. Ingram, the Employer Trustee for Science, Engineering and Manufacturing Technologies Alliance, retired by rotation and was duly re-appointed to serve a further term from 1 April 2003.

Mr. N.N.W. Dunlop, the Employer Trustee for Engineering Construction ITB, retired by rotation and was duly re-appointed to serve a further term from 1 April 2003.

Chairman

Following a ballot for the appointment of Chairman of the Managing Trustees, Mr Dunlop was re-appointed to serve for a further 3 year term commencing 1 April 2003.

Deputy Chairmen

Mr. G. Beveridge was duly re-appointed to serve for a further 3 year term as Deputy Chairman (Employers) from 1 October 2002.

Mr. K.J.F. Potter was appointed to the post of Deputy Chairman (Members) on 1 January 2003 to serve for a three year term following the retirement from service of the previous incumbent Mr. G.A. Eagle.

Meetings

The Managing Trustees normally meet at least four times a year where they are presented with detailed information by the Director 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 consider advice from the Trustees' investment consultants and report to the Trustees on investment strategy and investment managers performance.

The Management Panel, which reviews mainly more complex matters and submits recommendations for Trustees approval, meet as and when required.



Officers and Advisers at 31 March 2003

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 Risk Reporting Limited
Custodians	JP Morgan Chase Bank Barclays Global Investors Limited Universal Pension Trustees Limited
Auditors	Chantrey Vellacott DFK



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

Supplementary Information

Pensions 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.

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).