

Trustees' Report & **Financial Statements**

2001-2002

contents

Trustees' Report

Chairman's Statement	04
Trustees	06
Trusteeship	08
Officers and Advisers	10
Participating Employers	11
Review of Principal Activities	12
Membership	14
Transfer of Benefits	18
Increases in Pensions	19
Actuarial Valuation	21
Actuarial Statement	23
Income and Expenditure	25
Investment of Funds	27
Comparative Investment Performance	32
Statement of Trustees' Responsibilities	33

Financial Statements

Auditor's Report	36
Statements of Income and Expenditure	37
Net Assets Statements	38
Notes to the Financial Statements	39

trustees' report

chairman's statement

04

This past year has been yet another testing time for pension fund investment and the experience of our Funds is no exception. The weakness in financial markets worldwide last year, exacerbated by the tragic events in America in September 2001, have been well reported elsewhere. Despite some minor rallies in stock markets, investment sentiment remains fragile following two years of negative returns from equities.

The ITB Pension Funds had demonstrated strong growth in the later 1990's and this performance had not unnaturally generated expectation that such growth rates would continue in the future. Of course, this now needs to be tempered in the light of recent performance and uncertainty in the financial markets. Changes in investment returns are not entirely unexpected, as they have occurred ever since financial markets began and are, in the main, anticipated in the methodology and cautious assumptions adopted by the Actuary in his periodic valuations of both the Open and Closed Funds.

The latest of these was the actuarial valuation carried out on the Open Fund during this last year, on its status as at the 31 March 2001, which revealed an additional surplus of assets over liabilities of £3 million. Although not enough to generate a distributable surplus under the terms of the agreement with Employers, it was sufficient to maintain the current levels of active Member and Employer contributions for one extra year to 2014. It is reassuring to note that this result was achieved at a time when the pension schemes of some major UK companies have been reported as being under funded.

Your Trustees take very seriously the essential task of balancing investment growth with security of the funds. That is why following on from the valuation of the Open Fund the Trustees instructed the Actuary to undertake an asset allocation study to assess the

suitability of the Funds' current investment strategy and asset allocation to meet our ongoing liabilities. The study involved taking into consideration assumptions on future inflation and investment returns as well as the increasing longevity of our Members. The Actuary has now submitted his report proposing alternative investment strategies more suited to meet the future requirements of the mature Open Fund where Pensioners outnumber the contributing Members.

Equipped with this report the Trustees have conducted a series of reviews of the proposed options for alternative asset allocations with our investment advisers and at the year end were finalising the proposed changes that will, subject to the necessary approvals, be implemented. In pursuit of this selective investment policy, our strategic focus will continue to be based on a balance of security along with growth. In our deliberations we are moving at a pace which has resulted in the proposed changes starting in the first quarter of our next year.

During the Scheme year the index-linked portfolio of the Closed Fund was readjusted to increase its average maturity period. Such reviews are normal practice following an actuarial valuation and result from the Trustees' decision to grant the benefit improvements to Closed Fund Members which came into effect from the 1 April 2001.

A significant feature in the management of pension funds is the control of investment risk. In furthering the prudent stewardship of your funds the Trustees have taken an additional step to monitor and manage this. They have appointed a specialist firm in investment risk analysis and reporting who now review and advise, on a quarterly basis, the degree of risk taken by the Funds' investment managers. This analysis is to confirm that the investment risk factors lie within an expected range determined by the Funds' benchmarks and objectives. At the same

time any undue caution on the part of the investment managers can be identified.

We continue to look for efficiencies and improvements which will benefit Members of the Funds in the coming years. Investment in modern technology is part of these efforts as we endeavour to keep ahead in providing first class administrative and support services to all classes of membership and Employers. Internet technology lends itself ideally to the development of our communications service with its "always on" availability to Members. It gives me great pleasure to report that the Funds' own website, www.itb-online.co.uk, which was launched in March 2002, has been well received by all who have visited the site.

Our intentions, however, do not end there. In today's world people want to do more, access information easily and do it all faster and more conveniently than ever before. The challenge for the Funds' Office is to enable the membership to do this by means of the information on the ITB Pension Funds' website. To facilitate this, plans are underway to put in place the second stage of the website which will upgrade it to a higher quality and more comprehensive service. Thorough testing will be required before this enhancement of the site can be effected and as yet no firm date for this extension has been established.

The Board of Trustees has been through another demanding year dealing with many diverse and complex issues encompassing investment and legal matters as well as the many more everyday issues requiring their attention. I thank most sincerely my fellow Trustees, who have served with me over this past year, for the vital contributions they have made to our deliberations and for the personal support they have given me as Chairman.

It would be remiss of me to let pass without mentioning three notable changes to the Trustee Board in the past year. On the 1 October 2001, Chris Lang, the Members' Deputy Chairman, took early retirement from his Employer, the Engineering Construction Industry Training Board and consequently retired as a Trustee. Chris served from April 1992 to September 2001 and was closely involved in the Funds' business, serving on the Investment Committee as well as the Management Panel. We wish him well in his retirement.

We also regretfully bade farewell to two long serving Employer Trustees, Hugh Try and Andy Stewart,

who both decided that they did not wish to seek re-appointment in March 2002. We have all benefited from their extensive and shrewd business experience. Both served on the Investment Committee and Hugh was also on the Management Panel. I would like to thank them for their sound advice and guidance during their service to the Funds and in particular for their contributions in the extended negotiations leading to the agreement with Employers following on from the 1995 valuation of the Open Fund.

Throughout the period under review the management and staff at the Funds' Office, under the Director Vincent Gordon, have again shown their ability to be flexible and responsive in positive and innovative ways to the resolution of challenges encountered as well as their day to day dealings with Members' queries. On behalf of my fellow Trustees I thank them all for their individual professionalism, hard work and dedication.

It is reassuring to know that the ITB Pension Funds have stood up well in the face of difficult investment conditions over the past year. As we enter this current financial year, your Funds remain well financed and managed. We are however still experiencing continued volatility in the financial markets due to several factors mostly from outside the UK affecting investors confidence here. Until these problems are resolved and investors return it is proving almost impossible to predict performance in the near future.



NORMAN DUNLOP CBE
Chairman of Trustees

5 July 2002



trustees

06

The Trustees in office are listed below. For full details of how the Trustees are nominated see pages 8-9.



Employers' Trustees

- 1 Mr. N.N.W. Dunlop, CBE (Chairman)**
Engineering Construction ITB
- 2 Mr. G. Beveridge (Deputy Chairman)**
RGIT Montrose Limited
Offshore Petroleum Industry Training Organisation
- 3 Mr G.B. Edward**
CAPITB plc
- 4 Mr. R.S. Hanks (appointed 1 April 2002)**
Polymer National Training Organisation Limited
Motor Industry Training Council Limited
Road Haulage and Distribution Training Council
RTITB Services Limited
- 5 Mr. S.G. Ingram**
Engineering and Marine Training Authority
- 6 Mr. P.G. Rogerson (appointed 1 April 2002)**
Construction ITB
- 7 Mr. D. Stanton (appointed 1 April 2002)**
Hospitality Training Foundation
- 8 Mr. J.F. Swift (appointed 1 April 2002)**
Lantra Trust
- 9 Mr D.P.B. Young**
JTL
Scottish Electrical Charitable Training Trust



Members' Trustees

10 Mr. G.A. Eagle (Deputy Chairman)
Construction ITB

11 Mr J.R. Cushing
Engineering Construction ITB
Polymer National Training Organisation Limited
Motor Industry Training Council
Road Haulage and Distribution Training Council
RTITB Services Ltd

12 Mr. T. Howard
Lantra Trust

13 Mr K.J.F. Potter
JTL
Scottish Electrical Charitable Training Trust

14 Mr. D.L.W. Taylor
RGIT Montrose Limited
Offshore Petroleum Industry Training Organisation

15 Mrs M.J. Webster *(appointed 1 April 2002)*
Hospitality Training Foundation

16 Mr. E.A. Whatmore
Engineering and Marine Training Authority

Pensioners' Trustees

17 Mr. D.C. Barnett
Previously Road Transport ITB

18 Mr. H.O. Parker
Previously Printing and Publishing ITB

trusteeship

Appointment of Trustees

The ITB Pension Funds are controlled by 18 Managing Trustees consisting of nine Employer, seven Member and two Pensioners' Trustees. Details of the Trustees in office at the year end are shown on pages 6 and 7 of this Report.

Of the nine Trustees nominated by Employers, the two Statutory Training Bodies each nominate one Trustee. Of the remaining Employers, the six with the largest number of contributing Members at 31 December each have a right to nominate an Employer Trustee for the year commencing on the following 1 April. 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.

The remaining Employers may secure representation in one of two ways. The Successor Bodies to a previous Training Board may join together for the purpose of Trustee nomination and, if necessary, tally their combined membership for the purpose of qualification. Otherwise all the remaining Employers concerned will co-operate in nominating a Trustee, as is currently the case.

Contributing Members employed by each of the six Employers with the largest number of Members are entitled to nominate one Trustee each by ballot, except where an Employer recognises a Trade Union for the purpose of negotiating terms and conditions of service then the Trade Union concerned nominates the Trustee.

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

Changes in the numbers of Members employed by CAPITB plc and Polymer National Training

Organisation Ltd meant that they were respectively not entitled to nominate a Member Trustee and an Employer Trustee after 31 March 2002.

As a result Hospitality Training Foundation was entitled to nominate both a Member Trustee and an Employer Trustee as from 1 April 2002.

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

A Trustee may resign as a Trustee at any time and will automatically vacate office if he or she ceases to fulfill the eligibility qualifications. In addition, a Trustee will immediately vacate office upon becoming bankrupt or of unsound mind. The Managing Trustees have power by resolution of deciding upon a Trustee's appointment if in their opinion the individual concerned has been guilty of misconduct or is otherwise unfit or unable to carry out his or her duties.

Changes to the Trustees

Member Trustees

Mr. E.A. Whatmore became the Member Trustee for Engineering & Marine Training Authority on 1 April 2001, succeeding Mr. R. D'Souza who retired from office.

Mr. W.R. Grills, the Member Trustee for CAPITB plc relinquished his appointment on 31 March 2002 as his Employer became one of the smaller Employers. Consequently, from 1 April 2002, Members employed by Hospitality Training Foundation take the place of CAPITB plc in being able to appoint a Member Trustee. Accordingly, Mrs. M.J. Webster was nominated to serve as Member Trustee for Hospitality Training Foundation. Mr. D.L.W. Taylor, the Member Trustee for RGIT

Montrose Ltd, retired by rotation on 31 March 2001 and was duly re-elected to serve a further term from 1 April 2001.

Mr. K.J.F. Potter, the Member Trustee for JTL/Scottish Electrical Charitable Training Trust retired by rotation on 31 March 2002 and was duly re-elected to serve for a further term from 1 April 2002.

Mr. C.B. Lang, Deputy Chairman of the Members' Trustees and Joint Member Trustee, retired from service on 30 September 2001. He was succeeded by Mr. G.A. Eagle of Construction ITB as Deputy Chairman and by Mr. J.R. Cushing of Engineering Construction ITB as Joint Member Trustee.

Employer Trustees

Mr. R. Dinkeldein of Hospitality Training Foundation the Joint Employers Trustee retired from service on 3 August 2001 and was succeeded by Mr. J. Francis of Hospitality Training Foundation, who subsequently resigned in November 2001. He was succeeded by Mr. D. Stanton (appointed on 25 January 2002) also of Hospitality Training Foundation.

Mr. R.S. Hanks, the Employer Trustee for British Polymer Training Authority, relinquished his appointment on 31 March 2002, because his Employer is now one of the smaller employers.

As from 1 April 2002 Hospitality Training Foundation became one of the larger Employers and as they were to be represented by Mr. D. Stanton he relinquished his appointment as Joint Employer Trustee with effect from 31 March 2002.

Mr. R.S. Hanks was appointed to serve as Joint Employers Trustee with effect from 1 April 2002.

Mr. A.S. Stewart, Employer Trustee for Lantra Trust, retired by rotation on 31 March 2002 and decided not to seek re-appointment. He was succeeded by Mr. J.F. Swift.

Also, Mr. H.W. Try, Employer Trustee for Construction ITB, retired by rotation on 31 March 2002 and decided not to seek re-appointment. He was succeeded by Mr. P. Rogerson.

Chairman

Mr. N.N.W. Dunlop's period of office is due to end on 31 March 2003.

Deputy Chairmen

The periods of office of the two deputy Chairmen, Mr. G. Beveridge and Mr. G.A. Eagle end on 30 September 2002.

Trustee Training

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



**Vincent Gordon,
Director**

officers and

advisers

at 31 March 2002

10

Officers

Director

Mr. V.C. Gordon APMI

Accountant

Mr. R.T. Spiking FCA

Communications & Benefits Manager

Mr. D.J. Matthews APMI

Advisers

Actuary

Government Actuary's Department

Solicitors

Mayer, Brown, Rowe & Maw

Investment Managers

Barclays Global Investors Ltd
Fidelity Pensions Management Limited
Morley Fund Management Limited
Schroder Investment Management (UK) Limited

Property Investment Managers

Fletcher King

Investment Advisers

Watson Wyatt Worldwide

Custodians

JP Morgan Chase Bank
Barclays Global Investors Limited
Universal Pension Trustees Limited

Auditors

Chantrey Vellacott DFK

participating employers

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

During the year British Polymer Training Association Ltd changed its name to Polymer National Training Organisation Ltd. Also, Engineering and Marine Training Authority sold their subsidiary EMTA Cleveland Training Centre Limited and RTITB Services Ltd continued in Administration at the year end, but had no active members in the Funds.

The present participating Employers, each of which must be a Statutory Training Board or a Successor Body to a Training Board, are as follows:

CAPITB plc

Subsidiaries:

Global Resource Management PLC
Qualifications for Industry Limited
RTITB Limited
Excel Waste Management Limited
Team Training Services Limited

Construction ITB

Engineering Construction ITB

Engineering and Marine Training Authority

Subsidiaries:

EMTA Awards Limited
Training Publications Limited

Hospitality Training Foundation

JTL

Lantra Trust

Motor Industry Training Council Limited

Offshore Petroleum Industry Training Organisation

Subsidiaries:

OPITO Limited
Training Associate Services Limited

Polymer National Training Organisation Ltd

RGIT Montrose Limited

Road Haulage & Distribution Training Council

RTITB Services Limited

Scottish Electrical Charitable Training Trust

review of principal activities

12

The Trustees continue to keep abreast of existing legislation and to address new legislation as it arises where it has implications for pension schemes.

Data Protection Act

The Data Protection Act 1998 came into effect on 24 October 2001. It has repealed the Data Protection Act 1984.

The new Act is intended to protect personal data about identifiable living individuals and sets out the rules for processing information. It empowers individuals' rights to protected personal information, whether the information exists in computerised or manual form (although it is not fully effective in relation to manual data). It will also act as a guide and standard in data management.

The necessary actions have been taken by the Funds Office in order to comply with the Act.

Stakeholder Pensions

Stakeholder Pensions provide broadly similar benefits to personal pension schemes. From 1 October 2001 the Government required that employers make available a Stakeholder pension to certain employees who did not have access to an occupational pension scheme.

As a consequence of this the Rules of the Open Fund were changed to permit eligible employees to join upon attaining age 18 and to give Employers the option to admit to membership non-permanent employees. As a result the vast majority of non-permanent employees who would otherwise qualify for a Stakeholder Pension have been offered membership of the Open Fund.

An active member of the Open Fund may also arrange to contribute concurrently to a Stakeholder pension

either through their Financial Adviser or directly with a Stakeholder Pension provider, but only if they earn £30,000 pa or less. If so they can contribute to a maximum of £3,600 in a relevant tax year to a Stakeholder pension.

Minimum Funding Requirement (MFR)

Following the introduction of the Pensions Act 1995 a new financial test on all occupational pension funds was introduced in 1997. This required the Actuary to complete a separate valuation to ensure that the MFR imposed by the Act was met. Both the Open Fund and the Closed Fund have always exceeded this financial test by a substantial margin.

During the year the Government has proposed abolishing the MFR test in favour of establishing a scheme specific long-term funding standard. The Government's reasoning behind this is that funding and investment objectives should be linked to the scheme's own liability structure in that focusing on the individual scheme will provide more effective security.

More details of the long-term scheme specific funding standard are expected to emerge later in the year with detailed regulations expected to be in place by April 2004. In the interim transitional arrangements are in place from March 2002 which essentially relieves some of the technical constraints of MFR on pension schemes, but also slightly strengthens scheme wind-up provisions.

Financial Reporting Standard (FRS 17)

This new financial reporting standard will impose very complex requirements for reporting pension assets and liabilities in company accounts, compared to previous arrangements.

FRS 17 does not have to be fully adopted until 2003, but in the interim transitional arrangements are in place.

Albeit that FRS 17 has no direct implications for the ITB Pension Funds Trustees' Report and Accounts, the Funds Actuary's view is that the Open Fund can be treated as a multi-employer scheme, where the reporting requirements in Employers' accounts are much simplified and so will have little if any effect on Employers participating in the ITB Pension Funds.

Internet Site

Electronic communication is now a fundamental part of many peoples lives and the opportunities offered by Web technology cannot be overlooked. The appeal of the Net is that it can give 24 hour access to up-to-date information.

It was felt appropriate, therefore, that the now traditional forms of communication issued by the Funds' Office should be further strengthened by the introduction of the ITB Pension Funds own website on www.itb-online.co.uk, as announced in an article in issue 12 of the Funds newsletter 'Pension News'.

The site is all about inspiring employees and Employers to take a fresh look at their benefits and what their Pension Scheme provides and in so doing provide an improved service to all concerned. It is subject to ongoing development, but initially it provides the usual search and scroll features and data download and print facilities and is applicable to all classes of member.

Having successfully completed the initial project, plans are in preparation to address the second stage in order to deliver an even higher quality and more effective service.



**Dennis Matthews,
Communications &
Benefits Manager**

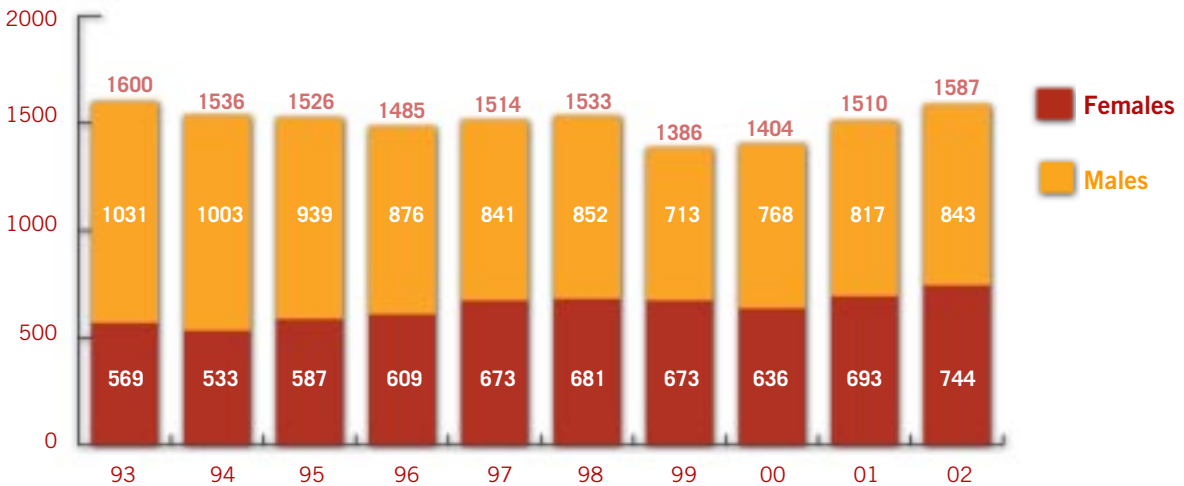
membership

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

The Closed Fund was established in April 1983 after the Government had dissolved 16 Training Boards. Members employed by these Boards, and all other Members who had left service before 1 April 1982, became Members of the Closed Fund. Certain Members, (employed by Road Transport ITB, Petroleum ITB, Rubber & Plastics ITB and Agricultural Training Board) were also placed in the Closed Fund at the instigation of their Employer with the special agreement of the Government, if their employment had been terminated as a direct result of Government action which caused the reduction in the scope of their Board. Membership of the Closed Fund is fixed by a Memorandum of Agreement and the Rules cannot be changed.

Active Membership Open Fund

Chart 1



A further increase in active membership took place during the year, mainly as a consequence of a greater demand for services in certain sectors of the industry which resulted in some Employers increasing their membership.

The age structure of the contributing Members at 31 March 2002 was as follows:

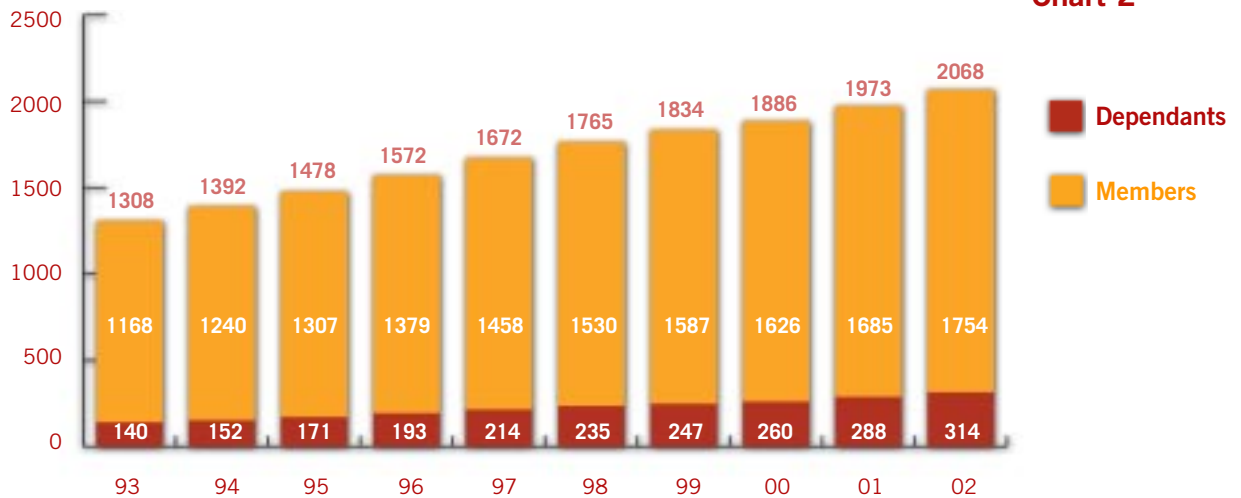
	Males	Females	Total
Under 30	54	143	197
30-34	58	128	186
35-39	112	133	245
40-44	152	97	249
45-49	121	88	209
50-54	156	85	241
55-59	136	59	195
60-64	54	11	65
	843	744	1587

Pensioners

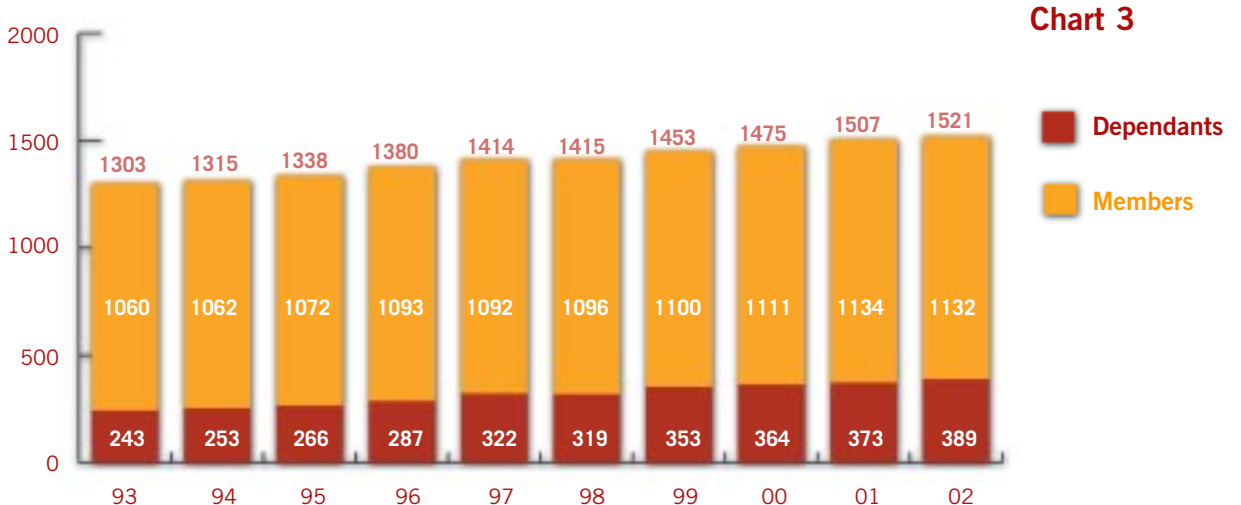
The number of pensioners in the Open Fund continues to grow slowly; the pensioners who die being replaced by their dependants and Members whose preserved pensions come into payment. The number of pensioners in the Closed Fund continues to steadily rise, once again mainly from early retirements.

Pensioners are either members or dependants and the number in each category is shown below.

Pensioners Open Fund



Pensioners Closed Fund



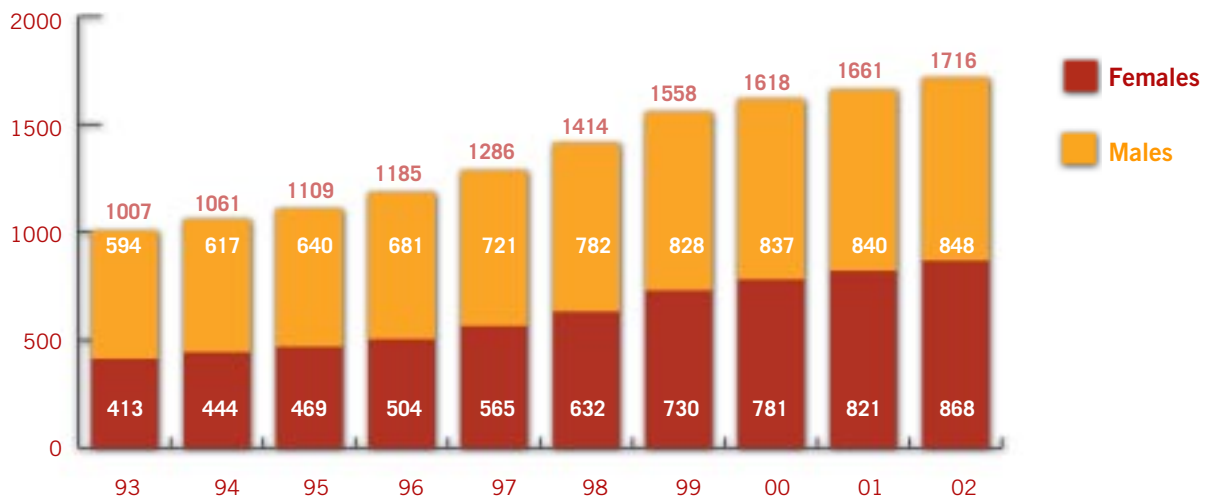
The total number of pensioners in both Funds (including dependants) of 3,589 as at 31 March 2002 had increased by 109 compared with the figure of 3,480 at 31 March 2001.

The division of pensioners between the two Funds and the age groupings of the member pensions is shown below. The benefits paid to the member pensioners cover compulsory disability, early, normal and late retirement pensions.

	Males	Females	Open Fund Total	Males	Females	Closed Fund Total
Under 50	4	4	8	0	0	0
50 – 54	52	13	65	0	2	2
55 – 59	148	67	215	19	6	25
60 – 64	251	91	342	67	48	115
65 – 69	368	116	484	156	56	212
70 – 74	267	66	333	195	89	284
75 and over	258	49	307	325	169	494
Dependants			314			389
Total	1348	406	2068	762	370	1521

Preserved Pension Open Fund

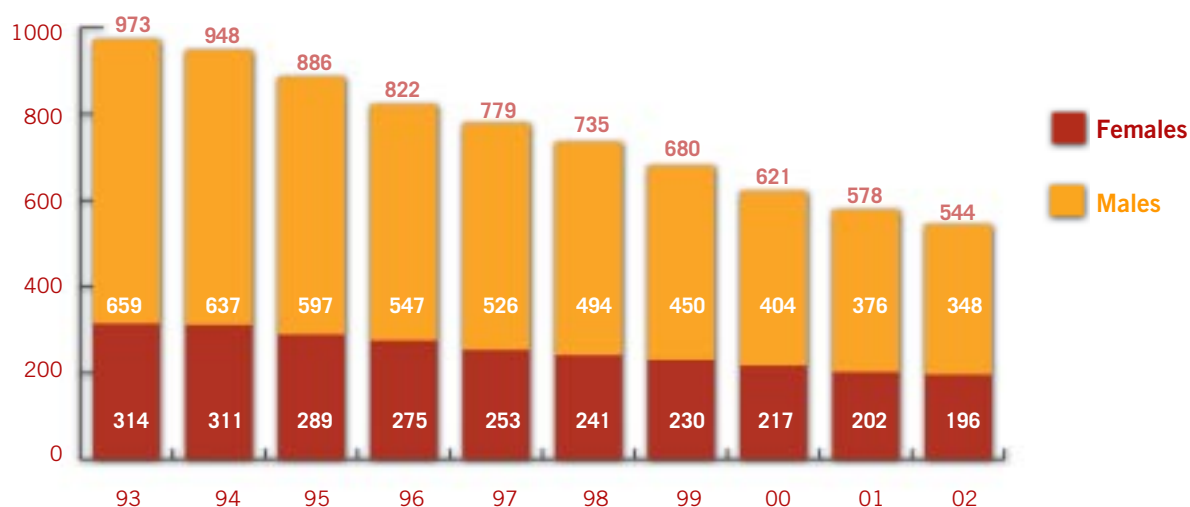
Chart 4



Kiran Kirpalani,
Pensions Administrator

Preserved Pension Closed Fund

Chart 5



The 2,260 Members in both Funds with preserved pensions at 31 March 2002 (i.e. Members who have left service but still have benefits due to them from the ITB Pension Funds which will become payable when they reach Normal Retirement Date) had increased by 21 compared with the number at the end of the previous year. The overall increase is made up of a reduction in the Closed Fund membership of 34 and an increase in the Open Fund membership of 55.

The division of these Members between the two Funds and their age groupings are as follows:

	Males	Females	Open Fund Total	Males	Females	Closed Fund Total
Under 40	108	286	394	0	0	0
40 – 44	155	175	330	3	3	6
45 – 49	177	148	325	14	31	45
50 – 54	213	146	359	96	74	170
55 – 59	146	104	250	135	87	222
60 – 64	48	9	57	97	1	98
65 and over	1	0	1	3	0	3
Total	848	868	1716	348	196	544

transfer of benefits

18

The policy of the Trustees towards making a transfer payment when a Member of the Funds leaves the service of an Employer has always been that such a payment should be available provided that after the transfer has been concluded the Funds should retain no further liability. Members have a statutory right to request a statement of transfer value once every twelve months.

The Pension Schemes Act 1993 gives Members who have left a pension scheme a statutory right to a transfer value in respect of their accrued benefits under the Schemes, which must be calculated according to regulations made under the Act. Such transfer values can be paid to the occupational scheme of the Member's new employer, to a personal pension scheme, or into an insurance company policy. All transfer values paid during the year were calculated and verified in the manner prescribed under those Regulations and make no allowance for discretionary benefits.

Members who leave service and are granted a preserved pension may therefore elect to have their benefits transferred to another pension scheme, or an insurance policy, at any time thereafter subject to the transfer being completed not less than one year before Normal Retirement Date.

The rights granted to Members either by Statute or by the Rules do not extend to Members who have already started to receive their pension.

Legislation introduced by the Pensions Act 1995 includes requirements which govern the way in which schemes calculate transfer values. The Trustees along with the Scheme's Actuary have reviewed the way transfers into and out of the Fund are calculated to ensure that they are consistent with those requirements. This was achieved by adopting the requirements of the Act as the basis for calculation of all transfers.

Benefits in the ITB Pension Funds for transfers-in continue to be expressed as additional pensions of pensionable service.

As was reported in the year prior to last, the Trustees, in common with most other pension schemes, decided that they would defer the acceptance of any transfer-in which imposed a liability on the Funds to provide a Guaranteed Minimum Pension (GMP) or equivalent until a legal technicality to do with the equalisation of GMP retirement ages became clear in law. To continue to accept such transfers might adversely affect the liability being accepted. It had been hoped that this issue would soon be resolved and that transfers could continue as normal, but this has proved not to be the case and a legal remedy continues to be awaited. In accordance with advice received from the Trustees legal and actuarial advisers the ITB Pension Funds' Office continues to defer receipt of any transfer-in which includes a GMP liability, until the matter of the equalisation of GMPs has been resolved. The matter also has implications for deferred Members wishing to arrange a transfer from the ITB Pension Funds to their new pension arrangements, as the receiving scheme may not also be prepared to accept the liability to provide a GMP imposed by accepting the ITB Scheme transfer.



**Katrina Booth, Senior
Pensions Administrator**

increases in pensions

Under the Rules of the ITB Pension Funds, pensions in payment are guaranteed to increase as if they were official pensions to which the Pensions (Increase) Act 1971 (as amended) applied. This is the Act under which Civil Servants' and other Government employees' pensions are increased. The provisions of the Act effectively increase pensions by the same amount and from the same date that the additional component of the State Earnings Related Pension Scheme (SERPS) is increased. Increases are currently granted in April each year and reflect the rise in the Retail Price Index during the year which ends in the September of the preceding year and which is announced in the October of that year.

The provisions of the Rules relating to increases in pensions apply equally to preserved pensions which receive an increase for the period from the date of leaving to the date payment begins as well as thereafter.

This method of revaluation in deferment and increases in payment ensures that the Funds comply with requirements of the Pensions Act 1995 concerning increases to pensions. The ITB Pension Funds' method of increasing pensions has always exceeded the minimum legal standards.

Date of Increase	Increase %
12 April 1993	3.60
11 April 1994	1.80
10 April 1995	2.20
8 April 1996	3.90
7 April 1997	2.10
6 April 1998	3.60
12 April 1999	3.20
10 April 2000	1.10
9 April 2001	3.30
8 April 2002	1.70

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 above.

All Members of The ITB Pension Funds have been contracted-out of the SERPS since 6 April 1978. For pre 6 April 1997 pensionable service the Funds must provide any Member whose service ceased before that date with a pension which is at least equivalent to a member's Guaranteed Minimum Pension (GMP). The GMP approximates to what a Member would be entitled to under SERPS and it is part of the total pension entitlement under the Scheme. GMP's do not accrue for post 5 April 1997 Pensionable Service and instead the Open Fund passes the reference Scheme test for salary-related contracted-out Schemes set out in the Pensions Schemes Act 1993.

The ITB Pension Funds are responsible for increasing a member's GMP in line with inflation until the member reaches State Pension Age (60 for women and 65 for men); from that date the State Scheme assumes responsibility for increasing that part of a GMP which was earned during service prior to 5 April 1988. The portion of the GMP earned between 6 April 1988 and 5 April 1997 is increased partly by the Funds and partly by the State Scheme. The ITB Pension Funds have the responsibility to increase by the lesser of the RPI and 3%. If prices have increased by more than 3% the balance of the increase due on the GMP will be paid by the State. Pension earned in respect of Pensionable Service after 5 April 1997 will be increased entirely by the ITB Pension Funds.

On attaining State Pension Age, Members are advised by the Department of Work and Pensions (DWP) of the amount of the GMP which 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 the member's basic State pension.

Spouses' pensions which include a GMP have that GMP inflation protected by the State irrespective of age.

20

It is important to note that for pensions in payment an increase is not payable where the recipient is below the age of 55. Where a pension is paid to someone below that age (for example, a compulsory retirement pension granted on redundancy), the increase is withheld, but on reaching the age of 55 the increase then made (on future installments of pension only) will reflect all the increases since the date the pension first became payable. This age restriction does not apply if the pensioner retired on disability grounds, or if the pension is a widow's or children's pension.

Meriel Graham,
Pensions Administrator
(pensioners payroll)



actuarial valuation

Open Fund

The ITB Pension Funds (Open Fund) is a final salary scheme. It means the pension paid to a member is based on their salary when they retire. It is otherwise known as a defined benefit scheme. The participating Employers operate the Open Fund for the substantial majority of their employees. The assets of the Fund are independent of the finances of the participating Employers.

Actuarial valuations of the Funds are carried out as determined by the Trustees at intervals of not more than 3 years. The Actuary uses the valuation to assess the cost of the Scheme and advises on the rate of contributions to be paid. In any intervening years, the actuary reviews the continuing appropriateness of the contribution rates.

In accordance with the Rules, where a surplus arises it will first be used to extend the period over which Employers' and Members' contributions are paid at the rate of 5% of salaries for a further three years or such shorter period as determined by the Actuary. Any surplus remaining will be divided between Employers and Trustees with the Trustees receiving 25% of the surplus (subject to a maximum of £12.5 million), with the balance being notionally allocated to Employers and held within the Fund.

Special arrangements are in place covering the procedure to be adopted if a deficit were to arise since the previous valuation.

Special arrangements are also in place for consultations to take place between the Actuary and Employers about the methods and actuarial assumptions for each valuation.

The most recent valuation of the Open Fund was completed by the Actuary as at 31 March 2001 and revealed new surplus arising since 1998 of £3 million. For the purpose of the valuation the Actuary valued the assets of the Fund at £470.1 million, including future expected contribution income, but excluding £36.2 million notionally allocated to individual Employers and held within the Fund in accordance with the previous agreement with Employers and advised in the December 1999 edition of 'Pension News'.

Moreover, in accordance with that agreement, in valuing the liabilities the Actuary included provision for reduced Employer and employee contributions until 2013 and determined that the new surplus of £3 million was sufficient to extend the provision for one extra year until 31 March 2014.

Actuarial Certificate

Certificates provided by the Actuary confirming the satisfactory financial position of the Funds in accordance with the legislation in force at the date of the valuations are shown on pages 23 and 24.

Minimum Funding Requirement/ Discontinuance

As part of valuations, the Actuary assesses whether there is sufficient money in the Funds to meet the Minimum Funding Requirement, a Government standard for the minimum amount of money that a pension scheme must hold to meet its liabilities. Both the Open and Closed Funds comfortably pass this test. The Actuary has also stated that using the actuarial assumptions adopted for the valuation, the assets would have been sufficient at the valuation

date to cover the liabilities arising in respect of accrued service to the valuation date (and assuming no further contributions were payable).

Closed Fund

22

The most recent valuation of the Closed Fund was completed by the Actuary as at 31 March 2000 which revealed a surplus of £38.1 million. For the purpose of the valuation the Actuary valued the assets of the Fund at £177.3 million and all liabilities, including future administration expenses, were valued at £139.2 million.

This favourable result enabled the Trustees to make further significant benefit improvements. Under the Rules governing the Closed Fund, the Trustees have power to use up to one-third of a surplus revealed at each tri-annual valuation to improve Members' benefits. This power is not subject to the approval of Employers.

Based on the specified assumptions, the actuarial value of the assets of the Fund at 31 March 2000 was 127% of the liabilities. Even after the benefit improvements granted following the valuation, the ratio of the Fund's assets to its liabilities still exceeds the limit of 105% imposed by Section 603 of the Income and Corporation Taxes Act 1988 and means that tax will continue to be paid on part of the Closed Fund's income and realised capital gains. However, the total amount of tax paid during the year showed a decrease from the previous year. Reference is made in Note 11 to the Financial Statements to this liability.

The next actuarial valuation of the Closed Fund will take place on 31 March 2003.



**Chris Bettles,
Benefits Co-ordinator**

actuarial statement

Actuarial statement made for the purposes of Regulation 30 of The Occupational Pension Schemes (Minimum Funding Requirement and Actuarial Valuations) Regulations 1996

Name of scheme: THE ITB PENSION FUNDS - THE OPEN FUND

Effective date of valuation statement: 31 MARCH 2001

1. Security of prospective rights - In my opinion, the resources of the Scheme are likely in the normal course of events to meet in full the liabilities of the Scheme as they fall due. In giving this opinion, I have assumed that the following amounts will be paid to the Scheme:

Members - Contributions at the rate of 5% of Pensionable Salaries, except for "Old Benefit" Members who contribute 4%. These contribution rates are currently reduced from the standard levels of 6% and 5% respectively, and the reduction has been assumed to continue until 31 March 2014. Member contributions may be paid either in cash or met from the relevant Employer's allocated account as designated in accordance with the Trust Deed and Rules.

Employer - Contributions at the rate of 5% of Pensionable Salaries until 31 March 2014, increasing to 16% of Pensionable Salaries thereafter. Employer contributions may be paid either in cash or met from the relevant Employer's allocated account as designated in accordance with the Trust Deed and Rules.

2. Summary of methods and assumptions used - The valuation method used is the standard actuarial method described as the "Entry Age Method". The objective of this method is to provide for benefits to be funded by contributions paid throughout a member's active service at a rate which would be sufficient to finance the cost of a typical new entrant. The principal actuarial assumptions used for this valuation were that investment yields would in the long-term exceed earnings increases by 1.5% a year, and would exceed pension increases by 3% a year.

Further details of the methods and assumptions used are set out in my actuarial valuation addressed to the Trustees dated 20 December 2001.

C D Daykin FIA,
Government Actuary's Department,
New King's Beam House,
22 Upper Ground,
London, SE1 9RJ

26 June 2002

Actuarial statement made for the purposes of Regulation 30 of The Occupational Pension Schemes (Minimum Funding Requirement and Actuarial Valuation) Regulations 1986

Name of scheme: THE ITB PENSION FUNDS - THE CLOSED FUND

Effective Date of valuation statement: 31 MARCH 2000

1. Security of accrued rights - In my opinion, the Scheme's assets existing on the effective date fully cover its liabilities as at that date with no exception.
2. Security of prospective rights - In my opinion, the resources of the Scheme are likely in the normal course of events to meet in full the liabilities of the Scheme as they fall due. In giving this opinion, I have assumed that no further contributions will be paid into the Scheme.
3. Summary of methods and assumptions used: As there are no contributing Members in the Closed Fund, the actuarial valuation is concerned only with the rights accrued to the valuation date and any improvements granted by the Trustees. The actuarial assumptions and valuation method adopted are those prescribed by the Inland Revenue in Statutory Instrument No. 412 of 1987 - Income Tax - The Pension Scheme Surpluses (Valuation) Regulations 1987.

Further details of the methods and assumptions used are set out in my actuarial valuation addressed to the Trustees dated 21 March 2001.

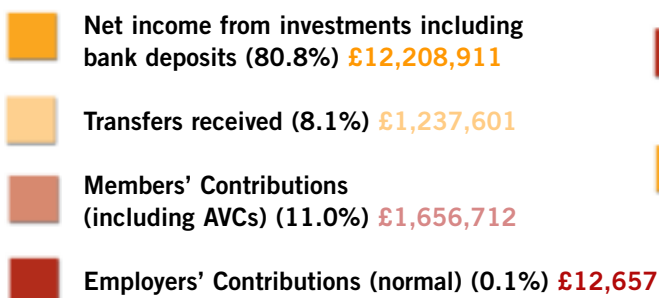
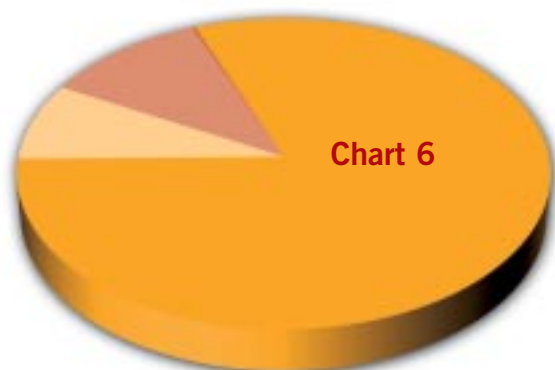
C D Daykin FIA,
Government Actuary's Department,
New King's Beam House,
22 Upper Ground,
London, SE1 9RJ

21 March 2001

Funds' income and expenditure

Open Fund

Source of Income 2001/2002

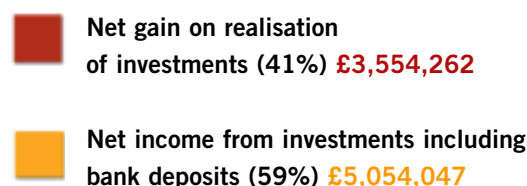
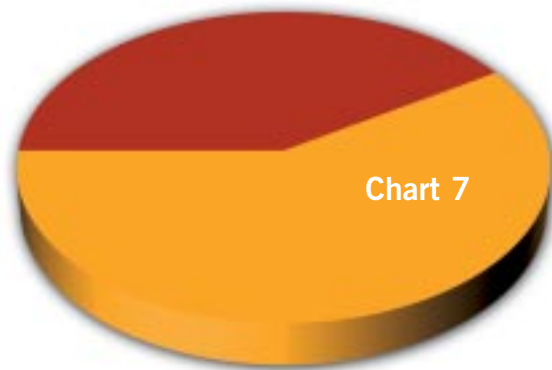


The way in which the income of the Open Fund, of £15,115,881 was made up is shown in Chart 6. The total net investment income consists mainly of income from dividends, bank interest and less the loss on foreign exchange and Investment Managers' fees. The Open Fund was required to raise an additional £2,727,480 from the sale of investments to meet expenditure commitments.

During the year Employer contributions of £1,824,470 have been charged to Employer's surplus allocations. Since these are internal transfers within Funds this amount does not appear as income. This is explained in more detail under Note 19 of the Financial Statements.

Closed Fund

Source of Income 2001/2002

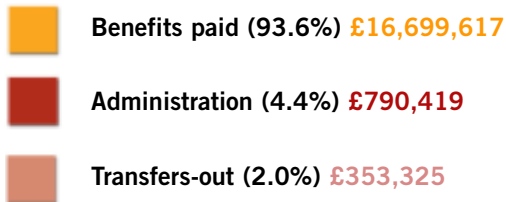
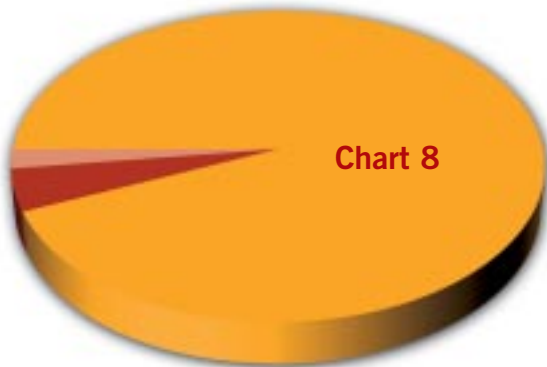


The way in which the income of the Closed Fund, of £8,608,309 was made up as shown in Chart 7. The total net investment income consists of income from dividends and bank interest. The Closed Fund was required to raise an additional £1,616,362 from the sale of investments to meet expenditure commitments. The net investment income of the Closed Fund is made up in the same way as that for the Open Fund but with taxation also being deducted.

Charts 8 and 9 show how the total income of each Fund was allocated.

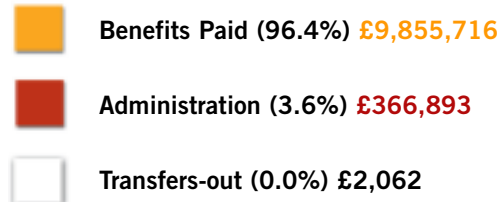
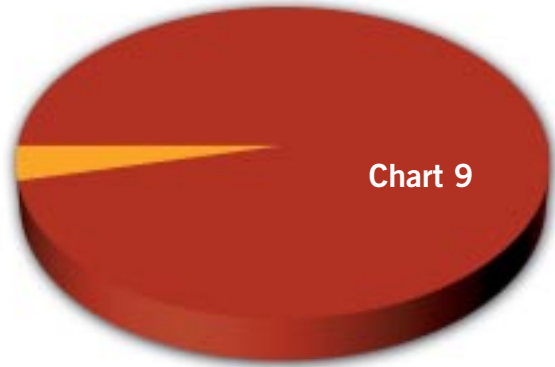
Open Fund

Allocation of Income 2001/2002



Closed Fund

Allocation of Income 2001/2002



As required by the Pensions Act 1995 the Trustees have drawn up and agreed separate Statements of Investment Principles for the Open and Closed Funds.

The investment policy set out in these Statements is described in this section of this Report.

As required by the Act Members may request a copy of the Statement related to the Fund in which they participate by application in writing to the Funds' Office.

investment of funds

The Trustees employ external Fund Managers who have discretion to invest the assets of the Funds within the Trustees prescribed guidelines.

Specialist investment managers are employed to manage discretionary portfolios for the Open Fund. They are: Fidelity Pensions Management Ltd, managing UK and Overseas Equities; Schroder Investment Management (UK) Ltd, managing UK equities only; Morley Fund Management Ltd, managing a fixed interest portfolio and Barclays Global Investors Ltd, managing overseas equities. As a consequence of the Trustees review of manager performance, Barings' investment mandate was terminated on 30 June 2001, and all overseas equity investment under their management was transferred to Barclays for investment in their passively managed overseas equity portfolio.

Real property assets are managed by Fletcher King.

Although the Trustees have delegated day to day management of the Schemes' investments to external managers, the custody (safe-keeping) of these assets is mainly carried out independently of the managers.

The Closed Fund's portfolio of Index-Linked Gilts, the investment of which is entirely passive and advised by the Actuary, is under the control of the Trustees. Fidelity Pensions Management Ltd is the manager for the Closed Funds' equity portfolio.

The overall expenditure of the Closed Fund continues to exceed total investment income. However, expenditure is met only from the Fund's holdings in Index Linked stock. The difference between the interest on the Index Linked stock and expenditure is met from the money received from the redemption of stock which takes place at regular intervals. The contribution income of the Open Fund continued to be insufficient to meet benefit payments and other

expenditure. The balance was made up from investment revenue and sale of investments. This was expected and will continue whilst Employers' and Members' contributions are maintained at their current level.

Following the actuarial valuation of the Open Fund as at 31 March 2001, the Trustees along with their investment advisers gave detailed consideration to a report on the asset liability study carried out by the Actuary. With the benefit of this report they concluded that a new investment strategy should be adopted. Designed to take into account assumptions on future investment returns, increasing longevity of the membership and with security of the Funds being the prime objective. Work was begun on the first stage of the new strategy shortly after the year end and involved switching assets out of the actively managed UK equity portfolio, with an additional investment in the fixed interest portfolio. The new long-term strategy involves further planned investment in fixed interest assets and will be the subject of further regular review.

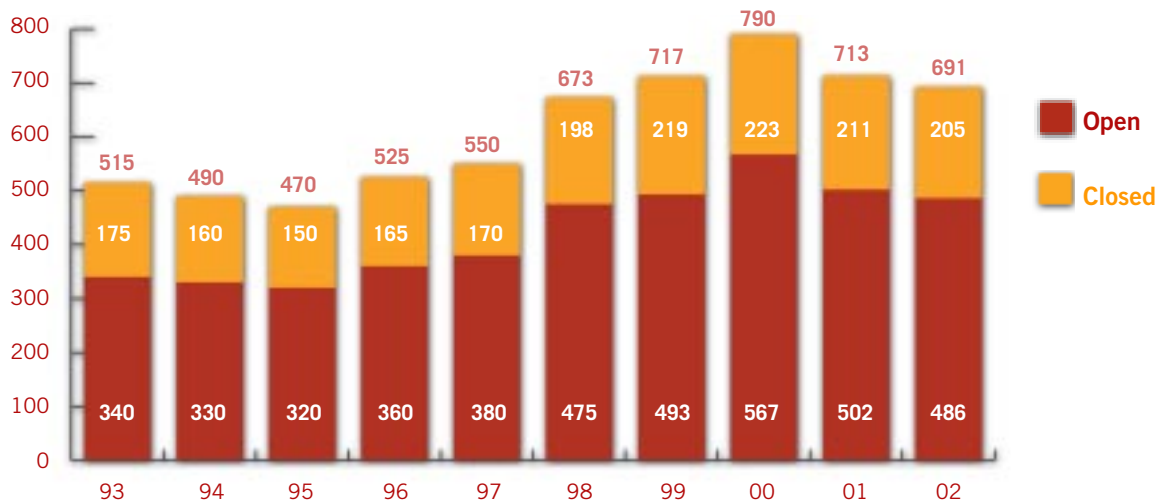
The aggregate value of both Funds' assets at 31 March 2002 was £691 million. To ensure the secure investment of these assets the Investment Managers and Trustees sign agreements which clearly set out the restrictions placed on the Managers. In the agreements, for example, there are prohibitions on lending assets, borrowing on the security of assets and buying shares not listed on a recognised stock exchange. There are also restrictions on the use of derivatives.

The size of each Fund and the growth achieved in the past ten years is demonstrated in Chart 10.

The Trustees' investment policy aims to, over the long-term, achieve good investment growth while maintaining a strong funding position for the Schemes. Although an overall long-term strategic asset allocation is agreed by the Trustees, the Investment Managers are given individual benchmarks. The active managers are permitted to diverge from these benchmarks within policy guidelines which are determined periodically by the Trustees in conjunction with their Investment Advisers. The guidelines are reviewed by the Trustees' investment committee at regular quarterly meetings.

Growth of funds

Chart 10



The benchmarks existing at 31 March 2002 for the Open Fund were as follows:

Category	Strategic Benchmark allocation % (market Values)
UK Equities	50
Overseas Equities	25
Property	10
Fixed Interest	15

The benchmark as at 31 March 2002 for the portion of the Closed Fund not invested in Index-Linked Gilts, was as follows:

Category	Benchmark allocation % (market Values)
Fixed Interest	4
Overseas Fixed Interest	4
UK Equities	58
Overseas Equities	34



Ron Spiking,
Accountant

At the end of March 2002, the Funds' investments were allocated between the following categories.

Open Fund

	Market Value £000's	Proportion of Market Value %
Commercial Property	54,565	11.3
UK Securities		
Index Linked	51,847	10.7
Equities & Convertibles	230,312	47.5
Fixed Interest	14,766	3.0
Overseas Fixed Interest	-	-
Unitised Funds	128,572	26.5
Bank Deposits & Foreign Exchange	4,636	1.0
Total	484,698	100.0

29

Closed Fund

	Market Value £000's	Proportion of Market Value %
UK Securities		
Fixed Interest	1,861	0.9
Index Linked	144,940	70.9
Equities & Convertibles	27,922	13.7
Overseas Fixed Interest	1,774	0.9
Unitised Funds	17,321	8.5
Bank Deposits & Foreign Exchange	10,541	5.1
Total	204,359	100.0

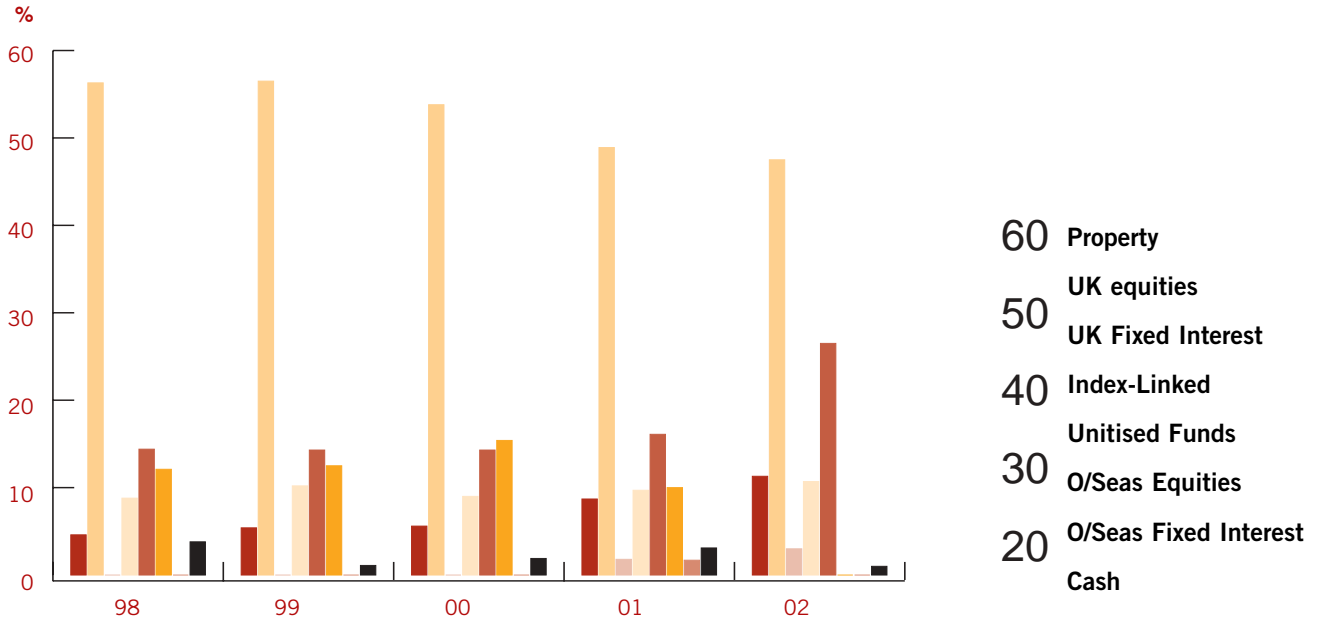
The Overseas Equities for both Funds consist of holdings in Europe, North America, Japan and South East Asia.

The holdings in Unitised Funds include Open Ended Investment Companies, Collective Investment Schemes and Pooled Index Life Funds run by the Funds Investment Managers which have holdings in European, Pacific Basin, USA and Japanese equities and UK corporate bonds.

The changes in asset allocation made since 1997 are shown in Charts 11 and 12.

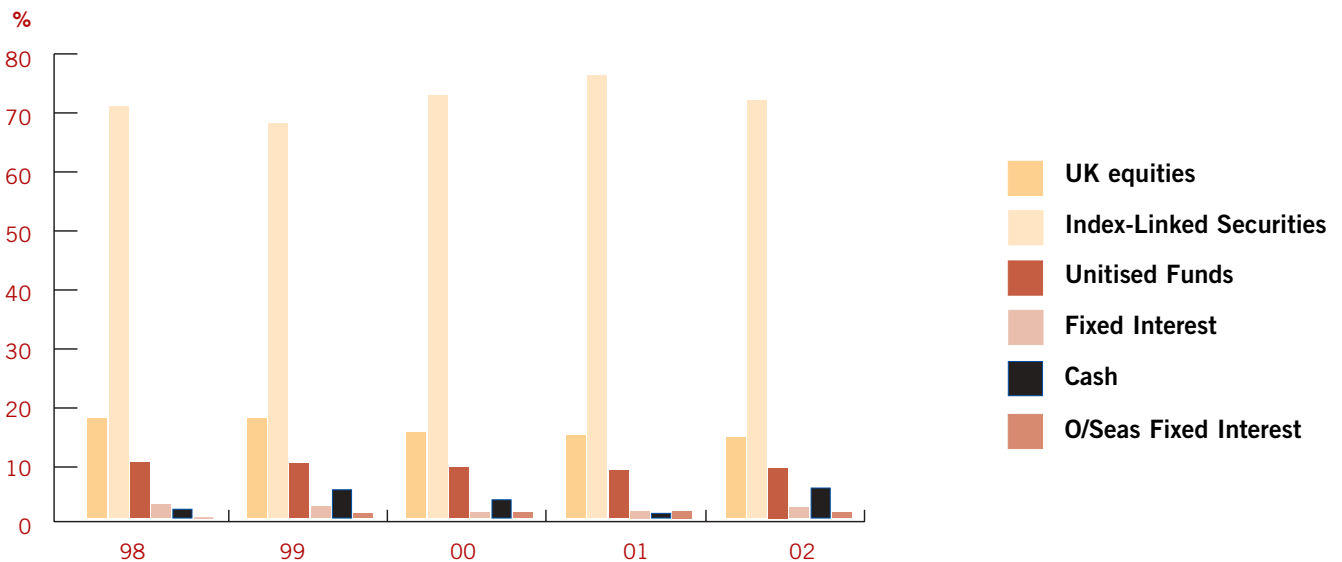
Asset Allocation Open fund

Chart 11



Asset Allocation Closed Fund

Chart 12



Strong performance in US and UK markets in the latter half of the year was not enough to offset the previous substantial decline in quoted markets.

Consumer spending remained buoyant during the period throughout most of the major economies, fuelled by a series of interest rate cuts in response to lower inflation and weakness in the global economy.

Investor sentiment remains fragile following two years of negative returns from equity markets which look to an improvement in corporate profitability as the catalyst to lead to a recovery. However, the short-term economic outlook remains uncertain.

Once again institutional demand for property continued to be strong and this had a consequential reduction in the flow of suitable property available.

The ten holdings in equities and unit trusts which had the highest value at 31 March 2002 for each Fund, were as follows:

Open Fund

Holding	Description	Book Cost (£)	Market Value
2,929,454	BP Plc	8,630,959	18,309,088
9,921,487	Fidelity Institutional Europe Fund	12,405,211	17,739,619
9,275,209	Fidelity Institutional America Fund	14,109,648	16,277,991
15,664,291	Fidelity Institutional South East Asia Fund	11,270,368	14,223,176
13,632,522	Fidelity Institutional Japan Fund	14,648,557	14,027,865
10,311,847	Vodafone Group	21,484,455	13,379,621
971,662	GlaxoSmithkline Ord 25p	10,464,083	11,402,095
1,193,375	HSBC Holdings (UK REG)	7,043,456	9,690,205
466,825	Royal Bank of Scotland	3,038,571	8,440,196
227,600	Astrazeneca Group Ord USD 0.25	5,583,522	7,936,412

Closed Fund

Holding	Description	Book Cost (£)	Market Value
3,349,959	Fidelity Institutional Europe Fund	4,166,201	5,989,726
2,739,117	Fidelity Institutional America Fund	3,637,829	4,807,151
4,043,987	Fidelity Institutional South East Asia Fund	3,101,728	3,671,940
2,596,342	Fidelity Institutional Japan Fund	2,579,153	2,671,636
363,500	BP Plc	1,428,840	2,271,875
113,820	GlaxoSmithkline Ord 25p	1,616,731	1,882,583
5,646,696	Fidelity Institutional Long Bond Fund	1,650,505	1,860,586
1,378,100	Vodafone Group	3,130,957	1,788,084
6,813,335	Fidelity Institutional International Bond Fund	1,782,322	1,773,511
152,019	Lloyds TSB Group	925,624	1,096,057

It will be seen, by comparing the values of the holdings listed above with the total value of each of the two portfolios listed on page 29 that no individual share holding forms more than 5% of the total value of each Fund's investments. The ITB Pension Funds' assets are invested in accordance with the Occupational Pension Schemes (Investment) Regulation 1996. The Fund does not invest in any of the participating Employers businesses.

No investment represents more than 3% of the share capital of the Company concerned.

**Pam Beacham,
Accounts Assistant**



comparative investment performance

The investment performance of both the Closed and Open Funds continues to be monitored by *Russell/Mellon CAPS, an independent investment performance monitoring service which monitors the performance of over 3,500 pension fund portfolios. For this purpose the Closed Fund and the Open Fund are treated separately and separate reports are provided in respect of each Investment Manager.

The period reviewed in the most recent full report relates to the year ended 31 March 2002. In addition, Watson Wyatt Worldwide also provide an overview for each Fund and present all the year end reports at a meeting of the Trustees' Investment Committee.

Investment performance is closely monitored by the Trustees. Benchmarks are based on various indices and the investment managers are set appropriate performance targets so as to ensure, that as far as is practicable, the Funds perform in line with the

strategic benchmark. The relevant benchmark return for the Open Fund this year was -1.8%, whereas the Fund actually achieved a return of +0.1%

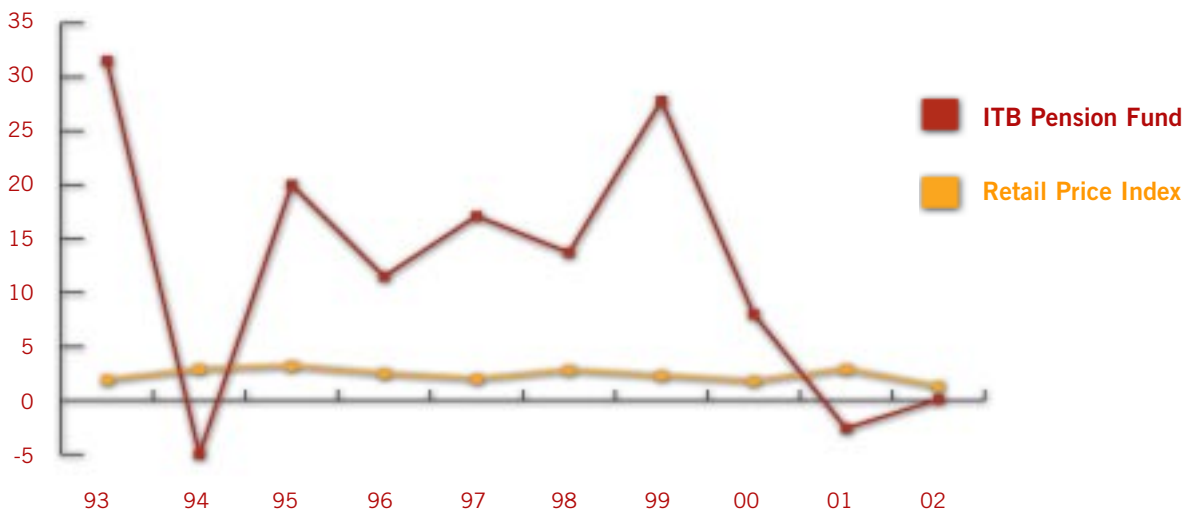
The Closed Fund achieved a return of 2.3% against the relevant benchmark of 1.8%. The overall performance of the Closed Fund reflected its large holding in Index Linked Gilts.

Chart 13 below shows the rate of return on all assets achieved by the ITB Open Fund (income and capital appreciation combined) in the recent past, compared with the increase in prices, as measured by the Retail Price Index. Past returns are, of course, no guarantee of future performance.

**Through a strategic merger with Russell Mellon Analytical Services, CAPS underwent a change of ownership in December 2001.*

Rates of Return

Chart 13





statement of trustees' responsibilities

Occupational Pension Schemes (Requirements to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 require Trustees to prepare financial statements, for each financial year, which give a true and fair view of the financial transactions of the Scheme; of the amount and disposition of the Scheme's assets at the year end; and of the liabilities of the Scheme, other than liabilities to pay pensions and benefits after the end of the Scheme year. In preparing these financial statements Trustees are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- Ensure that the financial statements are in accordance with the Audit Regulations and with the guidelines set out in the Statement of Recommended Practice, Financial Reports of Pension Schemes.

Trustees are responsible for keeping proper accounting records which accurately disclose the financial position of the Scheme to enable them to ensure the financial statements comply with the Audit Regulations. They are also responsible for safeguarding the assets of the Scheme and for taking reasonable steps for the prevention and detection of error, fraud or other irregularities. Financial Statements have been prepared in accordance with the Regulations and are reproduced in full in pages 35 to 49. The Notes to the Financial Statements include the required statement regarding the Statement of Recommended Practice.

The Trustees' Report was approved by the Managing Trustees on 5 July 2002. N.N.W. Dunlop CBE - Trustee, G.A. Eagle - Trustee.

 N.N.W. DUNLOP, CBE)
) Trustees
 G.A. EAGLE)

financial statements

auditor's report

36

to the trustees of the ITB Pension Funds

We have audited the financial statements on pages 37 to 49 which have been prepared in accordance with the accounting policies set out on pages 39 and 40 including the incorporation of investment assets at valuation.

Respective responsibilities of Trustees and Auditors

As described on page 33 the Trustees are responsible for the preparation of financial statements. It is our responsibility to form independent opinions based on our audit on those statements and to report our opinions to you.

Basis of opinions

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Scheme's circumstances, consistently applied and adequately disclosed. The work that we carried out also included examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error and that contributions payable to the Scheme have been paid in accordance with the Scheme Rules and with the recommendations of the Actuary. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinions

In our opinion the financial statements give a true and fair view of the financial transactions of the Scheme during the year ended 31st March 2002 and of the amount and disposition at that date 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 Regulations 3 and 4 and the Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996.

In our opinion, contributions payable to the Scheme during the year to 31st March 2002 have been paid in accordance with the Scheme rules and with the recommendation of the Actuary.

CHANTREY VELLACOTT DFK
Chartered Accountants and Registered Auditors
WATFORD
8 August 2002

statements of income and expenditure

for the year ended 31st March 2002

	Notes	Closed fund 2002 £'000	Open fund 2002 £'000	Combined fund 2002 £'000	Combined fund 2001 £'000
Income					
Members' contributions	3d, 17, 19	-	1,657	1,657	1,621
Employers' contributions	3d, 19	-	1	1	8
Employers' enhancement costs	3d, 19	-	11	11	-
Transfers from other schemes	5	-	1,238	1,238	3,624
		-	2,907	2,907	5,253
Expenditure					
Retirement and death benefits	6	9,856	16,642	26,498	24,286
Withdrawals:					
Transfers to other schemes		2	353	355	565
Contribution refunds		-	57	57	45
Administration costs	7	367	790	1,157	1,131
		10,225	17,842	28,067	26,027
Net withdrawals from dealings with members		(10,225)	(14,935)	(25,160)	(20,774)
Returns on investments					
Investment revenue	8	5,431	14,130	19,561	19,416
Net loss arising on foreign exchange	10	-	(60)	(60)	(282)
Taxation	11	(109)	-	(109)	(274)
Change in market value of investments	12	(638)	(12,877)	(13,515)	(73,078)
Investment managers' fees	9	(268)	(1,858)	(2,126)	(2,444)
Net returns/(deficit) on investments		4,416	(665)	3,751	(56,662)
Net decrease in the funds during the year		(5,809)	(15,600)	(21,409)	(77,436)
Net assets as at 31st March 2001		211,252	501,592	712,844	790,280
Net assets as at 31st March 2002		£205,443	£485,992	£691,435	£712,844

The notes on pages 39 to 49 form part of these financial statements.

net assets statements

for the year ended 31st March 2002

38

	Notes	Closed fund 2002 £'000	Open fund 2002 £'000	Combined fund 2002 £'000	Combined fund 2001 £'000
Investments	12	204,359	484,698	689,057	709,406
Fixed assets	13	-	98	98	102
		<u>204,359</u>	<u>484,796</u>	<u>689,155</u>	<u>709,508</u>
Current assets					
External	14	1,412	5,702	7,114	9,993
Inter-fund balance	14	8	-	8	10
		<u>1,420</u>	<u>5,702</u>	<u>7,122</u>	<u>10,003</u>
Current liabilities					
External	15	336	4,498	4,834	6,657
Inter-fund balance	15	-	8	8	10
		<u>336</u>	<u>4,506</u>	<u>4,842</u>	<u>6,667</u>
Net current assets		<u>1,084</u>	<u>1,196</u>	<u>2,280</u>	<u>3,336</u>
Net assets as at 31st March 2002		<u>£205,443</u>	<u>£485,992</u>	<u>£691,435</u>	<u>£712,844</u>

The financial statements were approved by the Managing Trustees on 5 July 2002.



N.N.W. DUNLOP, CBE)

) Trustees



G.A. EAGLE)

The notes on pages 39 to 49 form part of these financial statements.

notes to the financial statements

for the year ended 31st March 2002

39

1 Organisation of the funds

The financial statements reflect the Actuary's report dated 22nd 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 1st April 1985.

The Closed Fund relates to former employees of discontinued Industrial Training Boards; all employees of continuing Boards whose service ceased before 31st March 1982; and, certain other employees of those Boards whose service ceased before 31st March 1983 and whose membership was specifically agreed with Government.

2 Actuarial valuations

The Trustees have received and adopted the Valuation Report by the Actuary on the Closed Fund as at 31st March 2000 and on the Open Fund as at 31st March 2001.

The Reports on the Closed Fund for 2000 and on the Open Fund for 2001 concluded that the assets in both Funds would be adequate to meet the liabilities on the basis of the assumptions made.

3 Accounting policies

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 and with the guidelines set out in the Statement of Recommended Practice, Financial Reports of Pensions Schemes.

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 which fall due after the end of the Fund year. The actuarial position of the Fund which

does take account of such obligations, is dealt with in the statements by the Actuary and these financial statements should be read in conjunction with them.

a) Basis of preparation

These financial statements have been prepared on an accruals basis, that is, income and expenditure is recognised as it is earned or incurred, not as it is received or paid except in relation to certain withdrawal benefits - see 3 i) below.

b) Valuation of assets

All investments, other than commercial property, are valued at their market value at 31st March 2002 determined as follows:

- i) Listed securities are valued at last traded price or mid-market price ruling at the balance sheet date.
- ii) Unitised Funds are stated at the mid-point of the latest prices quoted by the managers prior to 31st March 2002.
- 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.

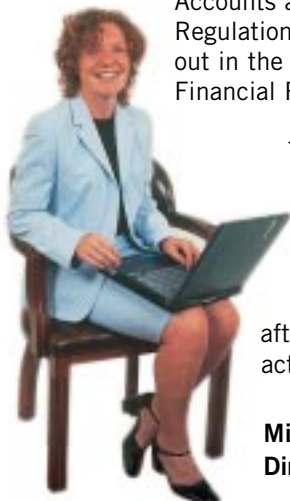
Properties were valued by Fletcher King, Property Asset Managers, at 31st March 2002, in accordance with the definition of open market value as defined in Practice Statement 4 of the Royal Institute of Chartered Surveyors' appraisal and valuation manual.

c) Forward contracts for foreign currency

Forward contracts are valued at amounts which assume settlement at the spot rates ruling on 31st March 2002.

d) Contribution income

Contributions relating to wages and salaries



Michelle Hughes,
Director's P.A.

earned up to 31st March 2002 have been included in these financial statements. Enhancement costs represent amounts paid by Employers to improve the benefits of certain employees and these are due to the Open Fund from the relevant participating employers.

e) Investment income

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

f) Foreign income

Foreign income has been translated into sterling at the rate ruling at the date of the transactions. Income due at the year end is translated at the rate ruling at 31st March 2002. All differences are taken to income and expenditure account.

g) Benefits payable

Benefits payable include all valid benefit claims notified to the Trustees during the financial year.

h) Transfers receivable

Certain members of the Funds have transfer rights available to them from previous pension schemes. The value of such rights has only been taken into account where the sum to be transferred has been agreed by 31st March 2002.

i) Withdrawal benefits

The transfer payments relate to those early leavers whose transfers have been agreed by the Trustees during the year. Included under withdrawal benefits are accruals of contributions and interest in respect of members who left the Funds on or before 31st March 2002 and who were entitled to a refund of these.

j) Fixed assets

Depreciation is provided on cost in equal annual installments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Furniture - 10% per annum

Equipment - 20% per annum

4 Contributions receivable

Contributions payable to the Scheme during the year ended 31st March 2002 were paid in accordance with the Scheme Rules (and the recommendation of the Actuary).

5 Transfers in

	2002 £'000	2001 £'000
Group transfers in	(101)	1,900
Individual transfers from other schemes	1,084	1,268
Individual transfers from Money Purchase Scheme (see note 18)	255	456
	£1,238	£3,624

6 Retirement and death benefits

	Closed fund 2002 £'000	Open fund 2002 £'000	Combined fund 2002 £'000	Combined fund 2001 £'000
Retirement benefits:				
Lump sums	172	2,234	2,406	1,853
Members' pensions	7,564	13,161	20,725	19,215
Total retirement benefits	7,736	15,395	23,131	21,068
Death benefits:				
Lump sums	15	123	138	481
Dependants' pensions	2,105	1,124	3,229	2,737
Total death benefits	2,120	1,247	3,367	3,218
	£9,856	£16,642	£26,498	£24,286
2001	£8,747	£15,539		

7 Administration costs

	Closed fund 2002 £'000	Open fund 2002 £'000	Combined fund 2002 £'000	Combined fund 2001 £'000
Analysis				
General administration:				
Employment costs	151	271	422	372
Office accommodation	38	68	106	105
General expenses	109	187	296	292
	298	526	824	769
Professional services				
Auditor's fees	11	18	29	27
Legal services	26	74	100	95
Investment consultancy	3	43	46	4
Actuarial services	9	82	91	146
Other	20	47	67	90
	£367	£790	£1,157	£1,131
2001	£389	£742		

8 Investment revenue

	Closed fund 2002 £'000	Open fund 2002 £'000	Combined fund 2002 £'000	Combined fund 2001 £'000
Income from fixed interest securities	-	795	795	565
Dividends from equities and convertibles	727	6,550	7,277	8,317
Income from index linked securities	4,078	1,461	5,539	5,720
Income from unitised funds	343	549	892	1,049
Net rents from properties	-	4,453	4,453	3,130
Interest on cash deposits	283	321	604	627
Underwriting commission	-	1	1	8
	<u>£5,431</u>	<u>£14,130</u>	<u>£19,561</u>	<u>£19,416</u>
2001	<u>£5,572</u>	<u>£13,844</u>		

9 Investment managers' fees

Under the powers given to them under the Scheme rules, the Trustees delegate most investment management to external investment managers; the exception being the index linked gilt stock in the Closed Fund. The non-property investments were managed during the year by Baring Asset Management Limited, Barclays Global Investors Limited, Fidelity Pensions Management Limited, Morley Fund Management Limited and Schroders Investment Management (UK) Limited. The remuneration of these managers, with the exception of Barclays Global Investors whose remuneration is calculated on a flat fee basis, is calculated as a variable percentage of the market value of the assets under management. Properties are managed by Fletcher King who are remunerated on a fixed percentage of market value of properties under management, with additional fees in respect of property purchases, sales, rent reviews and rental income.

10 Net loss arising on foreign exchange

The loss on foreign exchange comprises the change in the value of short-term deposits due to exchange rate movements. Losses on forward currency contracts during the year are included in change in market value of investments (note 12).

summary

	2002 £'000	2001 £'000
Closed fund	-	(1)
Open fund	(60)	(281)
	<u>£(60)</u>	<u>£(282)</u>

11 Taxation

The Funds are both "exempt approved schemes" for the purpose of Chapter 1 of Part XIV of the Income and Corporation Taxes Act 1988. However, exemption from tax on investment income and capital gains depends on there being no excess surplus in each fund.

No tax liability exists for the Open Fund, where benefit improvements have been granted from 1st April 1999 and a reduction in members' and employers' contributions have been allowed to 31st March 2014, thus ensuring that the Fund complies with the requirements of the Finance Act 1986.

The actuarial valuation of the Closed Fund at 31st March 2000 disclosed a substantial surplus. As a result, there is a liability to taxation on the income and capital gains of the Closed Fund in the proportion which the excess surplus bears to the entire Closed Fund.

Provision has been made for taxation on the income and realised capital gains of the Closed Fund. This provision has been based on 14.76% of such items of the Closed Fund for the period 1st January 1999 to 31st March 2001 and 10.1% for the year to 31st March 2002. These percentages were determined by the 2000 actuarial valuation and revised following the pension increases on 1st April 2001.

The taxation charges suffered are income tax at 20% (2001 - 20%) on the taxable income and at 34% on the taxable capital gains of the Closed Fund. No charge to capital gains tax arises due to the fact that the realised gains on the index linked gilts are exempt from capital gains tax. The losses arising on the other investments will be carried forward to set against future liabilities.

summary

	Closed fund 2002 £'000	Closed fund 2001 £'000
Income tax	110	148
Capital gains tax	-	126
	110	274
Prior year adjustment	(1)	-
	£109	£274



12 investments

	Closed fund valuation 2002 £'000	Closed fund cost 2002 £'000	Open fund valuation 2002 £'000
Commercial property			
Freehold	-	-	52,980
Long leasehold	-	-	1,585
Fixed interest securities			
UK Public sector	-	-	14,766
UK Public sector Unitised Funds	1,861	1,651	-
UK Corporate Unitised Funds	-	-	19,508
Overseas Unitised Funds	1,774	1,782	-
Index linked securities			
UK	144,940	105,790	47,676
Overseas	-	-	4,171
UK equities			
Quoted	27,922	26,259	230,312
Unitised funds	181	184	763
Overseas equities			
Quoted	-	-	-
Unitised funds	17,140	13,485	108,301
Bank deposits			
	10,541	10,541	4,651
Forward currency contracts			
	-	-	(15)
Total at 31st March 2002	£204,359	£159,692	£484,698
Total at 31st March 2001	£210,822	£161,963	£498,584

Basis of valuation - as set out in note 3(b). Unitised Funds include open-ended investment companies, Collective Investment Schemes and Pooled Index Life Funds. Commercial properties are mainly retail and office premises with rent review periods of five years.

Open fund cost 2002 £'000	Combined fund valuation 2002 £'000	Combined fund cost 2002 £'000	Combined fund valuation 2001 £'000	Combined fund cost 2001 £'000
49,759 994	52,980 1,585	49,759 994	41,688 1,585	38,572 994
14,959 -	14,766 1,861	14,959 1,651	8,848 1,997	8,806 1,634
17,337 -	19,508 1,774	17,337 1,782	18,263 4,881	16,600 4,793
46,097 3,438	192,616 4,171	151,887 3,438	205,530 7,230	161,612 6,008
196,440 779	258,234 944	222,699 963	273,340 16,862	231,804 12,615
-	-	-	50,041	55,453
101,329	125,441	114,814	62,074	49,150
4,651	15,192	15,192	17,188	17,188
-	(15)	-	(121)	-
£435,783	£689,057	£595,475	£709,406	£605,229
£443,266	£709,406	£605,229		

Investments (continued)

The movements in investments during the year were:

	Closed fund 2002 £'000	Open fund 2002 £'000	Combined fund 2002 £'000	Combined fund 2001 £'000
Market value at 1st April 2001	210,822	498,584	709,406	790,225
Purchases at cost	25,633	265,317	290,950	323,749
Disposal proceeds	(31,458)	(266,326)	(297,784)	(331,490)
Change in market value of investments	(638)	(12,877)	(13,515)	(73,078)
Market value at 31st March 2002	£204,359	£484,698	£689,057	£709,406
Change in market value of investments comprises:				
	£'000	£'000	£'000	£'000
Profit/(loss) on realisation of investments	3,554	(6,373)	(2,819)	30,256
Loss on forward currency contracts	-	(101)	(101)	(490)
	3,554	(6,474)	(2,920)	29,766
Movements in unrealised profits	(4,192)	(6,403)	(10,595)	(102,844)
	£(638)	£(12,877)	£(13,515)	£(73,078)
2001	£(8,066)	£(65,012)		

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

13 Fixed assets

	Cost £'000	Depreciation £'000
Balance at 1st April 2001	307	205
Additions	44	-
Depreciation charge	-	48
Balance at 31st March 2002	351	253
Net book value: 31st March 2002	£98	
31st March 2001	£102	

14 Current assets

	Closed fund 2002 £'000	Open fund 2002 £'000	Combined fund 2002 £'000	Combined fund 2001 £'000
Bank balances	57	383	440	278
Debtors:				
Amounts due from employers	-	126	126	132
Amounts due from brokers	113	2,507	2,620	3,683
Investment revenue receivable	1,230	2,589	3,819	3,870
Income tax receivable	8	28	36	71
Sundry debtors	4	39	43	49
Transfers receivable from other schemes	-	30	30	1,910
External current assets	1,412	5,702	£7,114	£9,993
Inter-fund balance	8	-		
Individual funds' current assets 2002	£1,420	£5,702		
	Closed fund £'000	Open fund £'000		Combined fund £'000
31st March 2001:				
External current assets	1,820	8,173		£9,993
Inter-fund balance	-	10		
Individual funds' current assets 2001	£1,820	£8,183		

15 Current liabilities

	Closed fund 2002 £'000	Open fund 2002 £'000	Combined fund 2002 £'000	Combined fund 2001 £'000
Withdrawal benefits:				
Transfers and contribution refunds	-	16	16	-
Amounts due to brokers	64	3,411	3,475	5,037
Taxation	23	-	23	258
Sundry creditors	249	1,071	1,320	1,362
External current liabilities	336	4,498	£4,834	£6,657
Inter-fund balance	-	8		
Individual funds' current liabilities 2002	£336	£4,506		

	Closed fund £'000	Open fund £'000	Combined fund £'000
31st March 2001:			
External current assets	1,380	5,277	£6,657
Inter-fund balance	10	-	
Individual funds' current liabilities 2001	£1,390	£5,277	

16 Financial commitments

At 31st March 2002 there were £4,041,144 forward currency transactions (2001 - £9,312,300) due for settlement in May 2002.

17 Member credited service

Additional voluntary contributions (AVCs) made to purchase added years under the principal Scheme of £92,461 (2001 - £85,084) during the financial year are shown in the income of the Open Fund and the assets acquired with the AVCs are included in the net assets statement.

18 Money purchase scheme

Additional voluntary contributions were receivable for separate investment with an insurance company for the benefit of individual Members. These Members receive details of their investments directly from the insurance company concerned and the investment and income are not treated as part of the Open Fund's assets and income as shown in the financial statements.

On retirement certain Members converted their money purchase investments to provide additional benefits under the main Scheme. Such transfers of investments are included in transfers from other schemes on (see note 5).

Administration cost

All administration is provided by the ITB Pension Funds and no costs fall upon the Money Purchase Scheme.

The amounts involved during the year are as follows:

	2002 £'000	2001 £'000
Fund as at 1st April 2001	1,330	1,473
Members' AVC contributions	258	232
Interest credited by Scottish Life Assurance Company	62	81
	1,650	1,786
Transfers out (including to main fund)	255	456
Fund at 31st March 2002	£1,395	£1,330

The monies held under this Scheme are invested in the Scottish Life Deposit Administration Fund which currently pays interest at the gross rate of 4.75%.

19 Utilisation of the Actuarial Surplus of the Open Fund

The terms of the agreement between the Trustees and the Employers on the way the 1998 surplus should be dealt with resulted in a sum of £40.2 million (market value) being allocated to individual Employers but retained within the Fund. The Employers are able to use this amount to reduce their contributions below that of members and/or grant further benefit improvements to their own employees.

Under this arrangement the following amounts otherwise receivable by the Trustees have been charged to the surplus funds allocated to the Employers:-

	2002 £'000	2001 £'000
Members' contributions	253	33
Employers' contributions	1,824	1,591
Enhancement costs	4,757	3,493

These charges are to the Employer's surplus allocations and no monies are paid. The amounts quoted are an allocation of the actuarial surplus, not of financial assets and they do not therefore appear elsewhere in these financial statements.



Enquiries about the Funds, or about entitlement to benefits should be addressed to the
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