

LRT Pension Fund

looking after
your pension



2002



**Annual Report and Accounts
2001 - 2002**

Report and Accounts for the Year to 31 March 2002

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Administration Office

LRT Pension Fund, 3rd Floor, Wing Over Station, 55 Broadway, London SW1H 0BD Telephone (020) 7918 3733

Requests for a copy of the Trust Deed and Rules of the Fund and enquiries about the Fund generally, or about an individual's entitlement to benefit, should be addressed to the LRT Pension Fund Office at the above address.

Pension Schemes Registry scheme reference number: 101653517

Organisation and Advisers as at 31 March 2002

Trustee

LRT Pension Fund Trustee Company Limited

Board of Directors of LRT Pension Fund Trustee Company Limited

(Nominating bodies are shown in brackets)

C Hodson (Chairman)	Pensioner (LRT)
MS Ainsworth	Contracts Commercial Manager, London Bus Services Limited (LRT)
AE Ball	Head of Customer Relationships, Infraco BCV Limited (LRT)
AE Barnes	Pensioner (PCC)
CJR Bedford	Director of Pensions, London Transport (LRT)
GJ Belton	Support Manager, Train Operations Standards, London Underground Limited (PCC)
R Crow	General Secretary, RMT (RMT)
CW Davey	Group Financial Reporting Manager, Transport for London (LRT)
JD Freeman	Planning Manager (Premises), London Bus Services Limited (PCC)
MA Gardiner	Head of Employee Relations, London Underground Limited (LRT)
S Grant	District Secretary, ASLEF (ASLEF)
JE Ingleton	Pensioner (PCC)
F Low	Secretary & Solicitor, London Underground Limited (LRT)
J Pownall	Solicitor, Property & Parliamentary, London Underground Limited (LRT)
TC Scanlon	Regional Industrial Organiser, T & GWU (T&GWU)
HL Sumner	Managing Director, Infraco Sub-Surface Limited (LRT)
AM Taylor	District Line Duty Station Manager, London Underground Limited (TSSA)
JB Timbrell	Project Liaison Engineer, T M U (Acton) Limited (LTJTC)

Principal Employer

London Regional Transport

Legal Adviser

Mayer, Brown, Rowe & Maw

Participating Employers

Transport for London
Transport Trading Limited
Victoria Coach Station Limited
London Bus Services Limited
London Buses Limited
London River Services Limited
London Underground Limited
Infraco BCV Limited
Infraco JNP Limited
Infraco Sub-Surface Limited
Cadbury Limited
Cap Gemini UK Limited
Cubic Transportation Systems Limited
Electronic Data Systems Limited
Instant Library Limited
Thales Communications Services Limited
Seaboard Powerlink Limited

Bankers

The Royal Bank of Scotland plc

Communications Adviser

GR Communications

Investment Adviser

Mercer Investment Consulting

Investment Managers

Alliance Capital Limited
Baillie Gifford & Co.
Barclays Global Investors Limited
Gartmore Investment Management plc
Henderson Investors Limited
JP Morgan Investment Management Inc.
Schroder Investment Management International Limited
Société Générale Asset Management UK Limited
LaSalle Investment Management
Jones Lang LaSalle Limited
Insignia Richard Ellis Limited

Secretary

CL Angell

Auditors

KPMG

Custodian

JP Morgan Chase Bank

Scheme Actuary

MD May, Watson Wyatt Partners

Chairman's Introduction

I am pleased to present my review of the year ended 31 March 2002. Continuing on from 2001, volatile stock markets, the protracted discussion between Government and Transport for London over the future for London Underground and its Public Private Partnerships (PPP), and the problems of our Additional Voluntary Contributions (AVC) Provider, Equitable Life, occupied the deliberations of the Trustee Board.

In terms of investment performance action was taken to reduce risk in and improve the performance of our UK equity portfolio. This resulted in the Fund exceeding its overall investment performance Benchmark during the course of the year. As a result, the Fund continues to exceed the statutory Minimum Funding Requirements (MFR). However, increasing life expectancy and the reduced investment returns being currently experienced, are likely to put the Fund under pressure, factors which are being faced by most UK Pension Funds.

It is pleasing to report that agreement was reached during the year with the Principal Employer on rule changes to modernise the Fund's approach to dependency and recognise the increasing frequency and society's general acceptance of divorce and re-marriage or cohabitation.

Uncertainties around Equitable Life's With-Profits fund were largely resolved by the High Court's acceptance of the compromise deal so overwhelmingly supported in the vote of Equitable Life's members, including the Fund. Nevertheless, the Board continues to monitor the performance both of Equitable Life and of the more recently appointed AVC provider, Clerical Medical.

The restructuring of the Fund to include non-associated employers was achieved satisfactorily and will facilitate the continued participation of the Infracos as and when they transfer to private ownership.

The Directors are determined to fully embrace the Best Practice principles being introduced following the Myners' review. Indeed they have been leading the way in the wider understanding of transaction costs which will assist in optimising net investment returns. They have also committed themselves to an ongoing programme of training, covering both investment and governance issues.

Finally, I would like to record my thanks to all involved with the continued operations and development of the Fund; the Trustee Directors, Scheme Actuary, Investment and Legal Advisers, Investment Managers, Custodian, Auditors and not least the Fund Office and the Fund Secretary for their whole hearted support throughout the year.

C Hodson
Chairman
20 June 2002

Report of the Directors of LRT Pension Fund Trustee Company Limited

The Directors of LRT Pension Fund Trustee Company Limited, Trustee of LRT Pension Fund, have pleasure in submitting their Annual Report on the operations of the Fund, together with the Accounts of the Fund for the year ended 31 March 2002.

1. Management of the Fund

(a) The Trustee

The Trustee is required to act in accordance with the Trust Deed and Rules of the Fund, within the framework of pension and trust law. It is responsible for safeguarding the assets of the Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

(b) Board of Directors

The Board of the Trustee is made up of 18 Directors as set out on page 2. Full details of how Directors are nominated are given in the Compliance Statement on page 22.

Directors serve for such period as their nominating body determines, or until that body withdraws their nomination or, in the case of a nominee from the LRT Pensions Consultative Council, they cease to be a member of the LRT Pensions Consultative Council.

From 17 October 2001, PGA Godier was replaced as a Director by J Pownall as a result of a changed LRT nomination. TC Scanlon replaced OL Jackson from 19 November 2001, as a result of a changed T & GWU nomination. From 12 December 2001 MS Ainsworth and CW Davey replaced A Brindle and SH Ellis as a result of changed LRT nominations. VG Hince resigned on the 17 October and was replaced by R Crow from the 12 December 2001 as a result of a changed RMT nomination. From 11 March 2002 JG Davis was replaced by JB Timbrell as a result of a changed LT Joint Trades Council nomination.

In the year to 31 March 2002 the Directors attended all the Board meetings for which they were eligible to attend, with the exception of MS Ainsworth, CJR Bedford, A Brindle, R Crow, SH Ellis, OL Jackson, TC Scanlon and AM Taylor who were absent for one meeting; AE Barnes, PGA Godier and VG Hince who were absent for two meetings; AE Ball, MA Gardiner, S Grant, F Low and HL Sumner who were absent for three meetings; and JG Davis who was absent for six meetings due to extended illness.

(c) Committees of the Board of Directors

Whilst the full Board of the Trustee decides all policy matters, the Board has recognised that committees are necessary in carrying out its functions in respect of the LRT Pension Fund efficiently and that the exercise of all delegated authority, when not directly supervised by the Board, shall be supervised by a committee.

For this purpose the Board has set up an Investment Committee, an Audit Committee, an Operations Committee (replacing the previous General Purposes and Management Committees), a Disputes Resolution Committee and an Appeals Committee. Each Committee comprises either four, six or eight Directors of the Trustee, half of whom are London Transport nominated Directors and half of whom are non-London Transport nominated Directors.

Further information regarding the management of the Fund is contained in the Compliance Statement on page 21.

2. Changes to the Rules of the Fund

There were changes to the Rules of the Fund during the year to facilitate admission of non-associated employers, sectionalisation of the Fund and related unitisation of assets, and to provide for pension sharing on divorce. The Rules governing dependency and loss of dependant's pension on remarriage/cohabitation under age 55 were also amended. Details are given in the Compliance Statement on page 21.

3. Financial review

The Accounts of the Fund for the year to 31 March 2002 have been drawn up in compliance with the Statement of Recommended Practice, Financial Reports of Pension Schemes (SORP).

The net assets of the Fund, that is the investment assets including the AVC scheme, the fixed assets held for own use and the net current assets, amounted to £3,285.7m at 31 March 2002. The decrease of £103.5m, compared with the value at 31 March 2001 of £3,389.2m, was made up as follows:

	2002	2001
	£m	£m
Net decrease in the value of investments	(37.0)	(347.5)
Net withdrawals from dealings with members	(66.5)	(78.0)
	<u>(103.5)</u>	<u>(425.5)</u>

The decrease in the overall value of investments comprised decreased market value of investments of £104.1m (2001: £407.6m) and investment management expenses of £6.1m (2001: £6.8m), offset by investment income of £73.2m (2001: £66.9m). The decrease in market value of investments was made up of realised investment losses of £83.6m and unrealised investment losses of £20.5m (2001: unrealised investment losses of £510.7m offset by realised investment gains of £103.1m).

The decrease in the value of investments was added to by the net withdrawals from dealings with members, as benefits payable, payments to and on account of leavers and administrative expenses exceeded contributions receivable plus transfers in from other schemes.

Benefits payable increased by £4.2m as a result of increases in pensions offset by reductions in lump sum retirement and death benefit payments.

Contributions increased by £15.8m as a consequence of the annual increase in salaries, the increase in contributing membership and the increase from the April 1 2001 in the employers' multiples as shown in the Schedule of Contributions. Under the Rules of the Fund, the administrative costs of the Fund, which remained broadly unchanged from last year, are borne by the Fund itself.

Further details of the financial movements of the Fund may be found in the audited Accounts on pages 9 to 15.

Details of the participating employers' unit holdings and asset values are set out in the statement on page 32.

4. Pension increases

Deferred members and pensioners whose pension commenced on or before 1 April 2000 received an increase, with effect from 1 April 2001, of 3.3%, based, in accordance with the Fund Rules, on the increase in the Retail Price Index for the year to September 2000. For pensioners whose pension commenced after 1 April 2000, the increase was reduced by reference to the period between 1 April 2000 and the date their pension commenced.

Increases to pensions in payment and deferred pensions over the past five years have been as follows:

April 1997	2.1%
April 1998	3.6%
April 1999	3.2%
April 2000	1.1%
April 2001	3.3%

5. Changes in membership and beneficiaries during the year

During the year to 31 March 2002 total members and other beneficiaries increased by 1,620 to 79,968. This figure comprises an increase in contributing members of 1,785, a decrease in pensioners of 147, a decrease in deferred pensioners of 100 and an increase in beneficiaries of 82.

	2001/ 2002	2001/ 2002	2000/ 2001	2000/ 2001	Change
Members					
Contributing members as at 1 April	17,977		17,691		
Joiners	2,902		1,591		
	20,879		19,282		
Contributing members retiring	(403)		(459)		
Leavers taking a refund of contributions	(206)		(373)		
Leavers becoming deferred pensioners	(489)		(447)		
Leavers taking an ill health lump sum	(1)		-		
Leavers opting out	-		-		
Deaths in service	(18)		(26)		
Contributing members as at 31 March		19,762		17,977	1,785
Deferred pensioners as at 1 April	19,174		19,427		
Leavers becoming deferred pensioners	489		447		
	19,663		19,874		
Deferred pensions coming into payment	(481)		(580)		
Deferred pensioners taking a refund of contributions	-		-		
Deferred pensioners transferring to other schemes	(83)		(92)		
Deferred pensioner deaths	(25)		(28)		
Deferred pensioners as at 31 March		19,074		19,174	(100)
Pensioners as at 1 April	30,498		30,625		
Contributing members retiring	403		459		
Deferred pensions coming into payment	481		580		
	31,382		31,664		
Pensioner deaths	(1,031)		(1,166)		
Pensioners as at 31 March		30,351		30,498	(147)
Total members as at 31 March		<u>69,187</u>		<u>67,649</u>	<u>1,538</u>
Beneficiaries					
Dependants as at 1 April	10,186		10,121		
Dependants becoming entitled to pensions	705		818		
	10,891		10,939		
Dependants ceasing to be eligible or deceased	(659)		(753)		
Dependants as at 31 March		10,232		10,186	46
Eligible children as at 1 April	513		521		
Children becoming entitled to pensions	81		153		
	594		674		
Children ceasing to be eligible	(45)		(161)		
Eligible children as at 31 March		549		513	36
Total beneficiaries as at 31 March		<u>10,781</u>		<u>10,699</u>	<u>82</u>
Total beneficiaries and members as at 31 March		<u>79,968</u>		<u>78,348</u>	<u>1,620</u>

6. Introduction of the Euro

The Fund continues to plan for the actions necessary should the UK enter the European Monetary Union (EMU). In particular the accounting system replacements currently being implemented will facilitate multi-currency accounting.

7. Approval of the Report of the Directors of the Trustee

The Investment Report on page 16 and the Compliance Statement on page 21 form part of this Report of the Directors of the Trustee.

This Report was approved by the Directors of LRT Pension Fund Trustee Company Limited on 1 July 2002 and was signed on their behalf by:

C Hodson

JD Freeman

Directors
LRT Pension Fund Trustee Company Limited

Independent Auditors' Report to the Trustee and Members of LRT Pension Fund

We have audited the Accounts on pages 9 to 15.

Respective responsibilities of the Trustee and Auditors

As described on pages 21 and 22 the Fund's Trustee is responsible for obtaining audited accounts which comply with applicable United Kingdom law and Accounting Standards. They are also responsible for making available, commonly in the form of a Trustee's report, certain other information about the Fund which complies with applicable United Kingdom law. Further, as described on page 22, they are responsible for ensuring that a schedule of contributions payable to the Fund is prepared and maintained and for procuring that contributions are made to the Fund in accordance with that schedule. Our responsibilities as independent auditors are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the Accounts give a true and fair view and contain the information specified in the Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. We also report to you our opinion as to whether the contributions have been paid in accordance with the Schedule of Contributions certified by the Actuary and if we have not received all the information and explanations we require for our audit.

We read the Trustee's report and other information accompanying the Accounts and consider whether it is consistent with those Accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Accounts.

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 Accounts. It also includes an assessment of the significant estimates and judgements made by or on behalf of the Trustee in the preparation of the Accounts, and of whether the accounting policies are appropriate to the Fund'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 paid to the Fund 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 Accounts are free from material misstatement, whether caused by fraud or other irregularity or error, and that contributions, from 1 April 2001 to 15 January 2002, have been paid in accordance with the Schedule of Contributions certified by the Actuary on 18 April 2001 and from 15 January 2002 in accordance with the Schedule of Contributions certified by the Actuary on 15 January 2002, prepared in accordance with the Pensions Act 1995. In forming our opinions we also evaluated the overall adequacy of the presentation of information in the Accounts.

Opinions

In our opinion, the Accounts show a true and fair view of the financial transactions of the Fund during the year ended 31 March 2002 and of the amount and disposition at that date of the assets and liabilities (other than liabilities to pay pensions and benefits after the end of the Fund year) and contain the information specified in the Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995.

In our opinion, contributions for the Fund year ended 31 March 2002 have been paid, from 1 April 2001 to 15 January 2002, in accordance with the Schedule of Contributions certified by the Actuary on 18 April 2001 and from 15 January 2002 in accordance with the Schedule of Contributions certified by the Actuary on 15 January 2002.



KPMG
Chartered Accountants
Registered Auditors
LONDON

1 July 2002

Fund Account

For the year ended 31 March 2002

	Note	2002 £'000	2002 £'000	2001 £'000	2001 £'000
Dealings with members					
Contributions receivable	3	93,211		77,394	
Individual transfers in from other schemes		5,150		5,455	
		<u>98,361</u>		<u>82,849</u>	
Benefits payable	4	159,885		155,704	
Payments to and on account of members leaving	5	1,944		2,337	
Administrative expenses	6	3,017		2,780	
		<u>164,846</u>		<u>160,821</u>	
Net withdrawals from dealings with members			(66,485)		(77,972)
Returns on investments					
Investment income	7	73,152		66,865	
Change in the market value of investments	8	(104,118)		(407,549)	
Investment management expenses	9	(6,094)		(6,848)	
Net returns on investments			(37,060)		(347,532)
Net (decrease) increase in assets during the year			(103,545)		(425,504)
Net assets as at 1 April			3,389,241		3,814,745
Net assets as at 31 March			<u>3,285,696</u>		<u>3,389,241</u>

Net Assets Statement

As at 31 March 2002

	Note	2002 £'000	2002 £'000	2001 £'000	2001 £'000
Investment assets at market value	8		3,283,536		3,387,858
Fixed assets held for own use	10		298		327
Current assets					
Prepayments and accrued income		2,894		2,961	
Cash at bank		3,276		2,221	
		<u>6,170</u>		<u>5,182</u>	
Current liabilities					
Creditors	11	3,857		3,776	
Bank overdrafts	12	451		350	
		<u>4,308</u>		<u>4,126</u>	
Net current assets			1,862		1,056
Net assets as at 31 March			<u>3,285,696</u>		<u>3,389,241</u>

The Notes on pages 10 to 15 form part of these Accounts.

These Accounts were approved by the Board of Directors of LRT Pension Fund Trustee Company Limited on 1 July 2002 and were signed on their behalf by:

C.Hodson

JD Freeman

Directors
LRT Pension Fund Trustee Company Limited

Notes to the Accounts

1. Basis of preparation

The Accounts 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 Pension Schemes (SORP).

The Accounts summarise the transactions of the Fund and deal with the net assets at the disposal of the Trustee. The Accounts do not take account of the obligations to pay pensions and other 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 on pages 24 to 31 and these Accounts should be read in conjunction with those statements.

2. Accounting policies

(a) Inclusion of income and expenditure

(i) *Contribution income*

Members' contributions are 5% of their contributory pensionable salary and are accounted for when deducted from members' pay. Employers' contributions are a multiple of the members' contributions. Multiples are determined by the Principal Employer on the advice of the Actuary following an actuarial review. All employers paid their respective multiples in accordance with the Schedule of Contributions as shown on page 29. Employer's contributions are accounted for as they fall due.

(ii) *Transfers to and from other schemes*

Transfer payments in respect of members transferred to and from the Fund during the year are included in the Accounts on a receipts and payments basis.

(iii) *Benefits payable*

Benefits payable are accounted for on the basis of entitlement during the year in accordance with the Rules of the Fund.

(iv) *Investment income*

Dividends from securities are credited to income when the investments are declared ex-dividend. Other investment income is accounted for on an accruals basis. Dividends and interest are grossed up for the amount of any taxation recoverable.

(v) *Investment management expenses*

Investment management expenses are accounted for on an accruals basis. Performance related investment management expenses are accounted for at the time they become due for payment under the terms of the appropriate Investment Management Agreement.

(vi) *Foreign currency translation*

Foreign income is translated into sterling at the rate ruling on the date the income is received. Income accrued at the year end is translated at the rate ruling at the end of the Fund year. Investments denominated in foreign currencies are translated using the sterling rate of exchange ruling at the end of the Fund year. Exchange gains and losses arising on translation of investment balances are included in the change in market value of investments shown in Note 8.

(vii) *Additional voluntary contributions (AVCs)*

AVCs are accounted for on an accruals basis, in the same way as other contributions, and the resulting investments are included in the net assets statement.

(viii) *Depreciation*

Expenditure on fixed assets held for own use has been capitalised to reflect the economic usefulness of the assets to the Fund. Depreciation of fixed assets held for own use is provided on a straight-line basis over their estimated useful lives as follows:

Computer equipment	-	5 years
Furniture	-	5 years

(b) Valuation of investments

Investments are included in the Net Assets Statement at their market values which are determined as follows:

- (i) UK and foreign securities quoted on a recognised stock exchange are stated at mid-market values ruling on 31 March 2002;
- (ii) unit trust and managed fund investments are stated at the average of the latest bid and offer prices quoted by the trust managers prior to 31 March 2002;
- (iii) unquoted securities are stated at the Trustee's valuation at 31 March 2002 based on the advice of the Fund's investment managers;
- (iv) freehold and leasehold property is valued at open market value by Insignia Richard Ellis, Chartered Surveyors as at 31 March 2002;
- (v) short-term deposits are valued at cost at 31 March 2002 taking into account gains or losses on foreign currency translations;
- (vi) AVC investments managed by Equitable Life are shown at the value available for the provision of retirement benefits. AVC investments managed by Clerical Medical are shown at the value on the dates of the contributions and transfer receipts.

3. Contributions receivable

	<u>2002</u> <u>£'000</u>	<u>2001</u> <u>£'000</u>
Members		
Ordinary	21,971	20,021
Additional voluntary contributions	2,779	3,143
	<u>24,750</u>	<u>23,164</u>
Employers		
Ordinary	68,461	54,230
	<u>68,461</u>	<u>54,230</u>
Total contributions receivable	<u>93,211</u>	<u>77,394</u>

4. Benefits payable

	<u>2002</u> <u>£'000</u>	<u>2001</u> <u>£'000</u>
On or during retirement		
Pension payments	143,195	138,296
Commutation and lump sum retirement benefits	13,212	13,426
Death benefits		
Lump sum payments	3,478	3,982
Total benefits payable	<u>159,885</u>	<u>155,704</u>

5. Payments to and on account of members leaving

	<u>2002</u> <u>£'000</u>	<u>2001</u> <u>£'000</u>
Individual transfers out to other schemes	1,716	1,990
Gross refunds of contributions to members	158	194
State scheme premiums	70	153
Total payments to and on account of members leaving	<u>1,944</u>	<u>2,337</u>

6. Administrative expenses

	<u>2002</u> <u>£'000</u>	<u>2002</u> <u>£'000</u>	<u>2001</u> <u>£'000</u>	<u>2001</u> <u>£'000</u>
Staff costs				
Payroll	1,445		1,381	
Recruitment and training	107		14	
		1,552		1,395
Establishment costs				
Accommodation	212		212	
Computer costs	159		127	
Telecommunications	27		24	
Depreciation	160		156	
		558		519
Professional fees				
Legal fees	128		172	
Audit fees	35		33	
KPMG non audit fees	38		22	
Actuarial fees	267		271	
Medical fees	38		38	
Other professional fees	112		53	
		618		589
Communication				
Distribution	143		137	
Printing	67		90	
		210		227
Consumables				
Stationery	17		12	
Microfilm	11		11	
General	51		27	
		79		50
Total administrative expenses		<u>3,017</u>		<u>2,780</u>

7. Investment income

	<u>2002</u> <u>£'000</u>	<u>2001</u> <u>£'000</u>
Income from fixed interest securities	29,442	23,021
Dividends from equities	32,177	29,088
Income from index-linked securities	6,168	6,540
Income from managed and unitised funds	1,576	1,265
Net income from properties	1,311	4,843
Interest on cash deposits	1,816	2,004
Income from securities lending	298	68
Income from commission recapture	249	21
Underwriting commission	-	15
Reduction in the provision for taxation	115	-
Total investment income	<u>73,152</u>	<u>66,865</u>

8. Investment assets at market value

	<u>2002</u> <u>£'000</u>	<u>2002</u> <u>£'000</u>	<u>2001</u> <u>£'000</u>	<u>2001</u> <u>£'000</u>
Fixed interest securities				
UK public sector quoted	201,825		210,249	
Other UK quoted	237,867		244,849	
Overseas public sector quoted	<u>52,112</u>		<u>55,395</u>	
		491,804		510,493
Equities				
UK quoted	1,007,936		959,996	
Overseas quoted	<u>537,999</u>		<u>532,267</u>	
		1,545,935		1,492,263
Index-linked				
UK quoted	<u>235,364</u>		<u>213,945</u>	
		235,364		213,945
Managed and unitised funds				
Managed funds - Fixed interest	31,118		111,385	
- Index-linked	237,762		279,086	
- Equities	623,947		569,471	
Unit trusts - UK non-property	45,454		125,206	
- UK property	4,567		4,886	
- Overseas property	<u>-</u>		<u>9,660</u>	
		942,848		1,099,694
Property				
UK freehold	5,365		24,040	
UK long leasehold	<u>2,900</u>		<u>3,210</u>	
		8,265		27,250
Other investment balances				
Accrued income	10,486		9,826	
Investment creditors	(2,965)		(3,280)	
Unsettled transactions	<u>(3,866)</u>		<u>659</u>	
		3,655		7,205
Sterling cash deposits		32,330		12,171
AVC scheme investments		23,335		24,757
Work of art		-		80
Total investment assets		<u>3,283,536</u>		<u>3,387,858</u>

Change in value of the investment assets	Value at 1 April 2001	Purchases At cost	Sale Proceeds	Change in market value	Value at 31 March 2002
	£'000	£'000	£'000	£'000	£'000
Fixed interest securities	510,493	441,286	443,594	(16,381)	491,804
Equities	1,492,263	1,386,667	1,280,853	(52,142)	1,545,935
Index-linked	213,945	254,573	232,925	(229)	235,364
Managed and unitised funds	1,099,694	340,125	463,960	(33,011)	942,848
Property	27,250	322	18,677	(630)	8,265
Other investment balances	7,205	975	4,525	-	3,655
Cash deposits	12,171	19,638	-	521	32,330
AVC investments	24,757	6,327	5,398	(2,351)	23,335
Work of art	80	-	185	105	-
Total investment assets	<u>3,387,858</u>	<u>2,449,913</u>	<u>2,450,117</u>	<u>(104,118)</u>	<u>3,283,536</u>

The investments in managed and unitised funds are managed by companies registered in the UK.

At the 31 March 2002 £133m of investments were loaned under a securities lending programme against collateral of £139m comprising £94m Gilts and £45m cash (2001 £128m loaned against £132m collateral).

LRT Pension Fund

The Fund's investment in the following managed funds represent more than 5% of the Net assets at the 31 March 2002:

Aquila Life UK Equity Index Fund Series 1	£309,381,000
Aquila Life Over 5 Years Index-Linked Index Fund Series 1	£237,762,000

During the year Equitable Life Assurance Society and Clerical Medical have been delegated responsibility for the investment and administration of the Fund's Additional Voluntary Contribution (AVC) plan. Individual members' contributions are deducted from their pay by the employers and are paid direct to the providers, where they are invested on behalf of the individuals concerned and in accordance with their instructions to provide additional pension benefits, within the overall limits laid down by the Inland Revenue. Each member contributing to the AVC plan receives an annual benefit statement of their account. At the 31 March 2002, £18,659,000 (2001 £24,757,000) of the Fund's AVC investments were managed by Equitable Life Assurance Society and £4,676,000 by Clerical Medical (2001 Nil).

9. Investment management expenses

	2002	2001
	£'000	£'000
Administration, management and custody	5,966	6,751
Performance measurement services	15	9
Other advisory services	113	88
Total investment management expenses	6,094	6,848

10. Fixed assets held for own use

	Computer equipment	Furniture	Total
	£'000	£'000	£'000
Cost at 1 April 2001	775	129	904
Additions	131	-	131
Withdrawals	(2)	(2)	(4)
Cost at 31 March 2002	904	127	1,031
Accumulated depreciation at 1 April 2001	476	101	577
Depreciation charge for the year	151	9	160
Withdrawals	(2)	(2)	(4)
Accumulated depreciation at 31 March 2002	625	108	733
Net book value at 1 April 2001	299	28	327
Net book value at 31 March 2002	279	19	298

11. Creditors

	2002	2001
	£'000	£'000
Unpaid benefits	1,268	1,239
Accruals and deferred income	2,589	2,537
Total creditors	3,857	3,776

12. Bank overdrafts

Bank overdrafts represent cheques drawn but not presented for payment by 31 March 2002. Interest is not payable on these sums.

13. Related parties

The Fund has received contributions in respect of Directors of the Trustee who are also contributing members of the Fund. The Fund has paid benefits to Directors of the Trustee who are also beneficiaries of the Fund.

London Transport pays administration and investment expenses on behalf of the Fund and subsequently recharges these to the Fund. At the 31 March 2002, £260,000 (2001 £324,000) has been included in creditors in respect of administration expenses rechargeable to the Fund.

All of the above transactions are in accordance with the Rules of the Fund.

Investment Report

1. Investment policy (excluding AVC investments)

Most of the Fund's investment assets were invested and administered by the investment and property managers, whose names appear on page 2. The investment managers employed during the financial year ended 31 March 2002 had discretion to invest as they saw fit within the asset classes and geographical limitations laid down by the Directors. Certain investments amounting to no more than 1% of total assets are administered in-house but the Directors take appropriate investment advice in the disposition of these assets.

Investment managers' fees are primarily based on the market value of the Fund and, in the case of the active managers, performance (subject to upper and lower limits), but commissions and fees are also charged on investment transactions. Property management fees are calculated with reference to the gross annual rent roll, the proceeds of any properties sold in the year and the revised rent arising from rent reviews in the year.

Following the results of an Asset and Liability Modelling Study undertaken by their Actuary in 1998, the Directors, with advice from their Investment Adviser, have been developing their investment strategy to continue to match the Fund's future needs. When the withdrawal from Property investments is completed the Fund, excluding AVC investments, will be invested as under:

	%
Equities - UK	42
Equities - Overseas	28
Fixed Interest Securities	15
Index-linked Securities	15
Property	-
	<u>100</u>

The Directors measure the Fund's performance against a benchmark based on the long-term strategic asset allocation. In addition each of the active managers has been set a target based on out-performance of a relevant index over rolling three-year periods.

The percentage of the Fund allocated to each of the equity managers was varied, with Baillie Gifford and Alliance Capital replacing Baring Asset Management during the year. The Directors believe the allocation set out below will maintain an appropriate balance between risk minimisation and return maximisation given the current and future liabilities of the Fund.

Portfolio	% of Fund	Manager
<i>Core</i>		
Index tracking - all asset classes	30.1	Barclays Global Investors Limited (BGI)
<i>Active Specialist</i>		
Bonds	20.0	Henderson Investors Limited
UK equities 1	9.6	Société Générale Asset Management UK Limited
UK equities 2	9.6	Alliance Capital Limited
UK equities 3	9.6	Baillie Gifford & Co.
European equities (incl. UK)	9.6	Gartmore Investment Management plc
Far East equities	6.5	Schroder Investment Management International Limited
US equities	5.0	JP Morgan Investment Management Inc.
	<u>100.0</u>	

The allocation of index tracking funds to market categories is regularly rebalanced to ensure that the total fund is allocated in accordance with the strategic guidelines. The Directors maintain a Statement of Investment Principles as required by the Pensions Act 1995 and the latest version is available on request from the Fund Office at the address given on page 1.

2. Investment overview

The investment assets of the Fund as at 31 March 2002, including AVC investments, had a market value of £3,283.5m, a decrease of £104.4m compared to their market value, including AVC investments, of £3,387.9m as at 31 March 2001. Investment income amounted to £73.2m for the year to 31 March 2002 compared to £66.9m for the year to 31 March 2001.

The bulk of the assets held by the active managers are quoted on the main worldwide stock exchanges and are highly marketable. The assets held with BGI are also highly marketable. A small proportion of the Fund's assets, including the remaining property holdings, are less readily marketable.

The income and maturity values of the holdings in UK government stocks are highly secure but capital values may fluctuate. The other assets have less secure income streams and capital values may also fluctuate.

3. Analysis of investments

A detailed analysis of the investment assets of the Fund at 31 March 2002 is shown below.

	2002		2001	
	£m	%	£m	%
Fixed interest securities	491.8	15.0	510.5	15.1
Equities - UK	1,007.9	30.7	960.0	28.3
- Other	538.0	16.3	532.3	15.7
Index-linked	235.4	7.2	213.9	6.3
Managed and unitised funds	942.8	28.7	1,099.7	32.5
Direct property	8.3	0.3	27.2	0.8
Other investments	3.7	0.1	7.2	0.2
Cash deposits	32.3	1.0	12.2	0.4
AVC investments	23.3	0.7	24.8	0.7
Work of art	-	-	0.1	-
	<u>3,283.5</u>	<u>100.0</u>	<u>3,387.9</u>	<u>100.0</u>

A geographical analysis of the Fund's worldwide equity holdings is given below.

	Total	UK	North America	Europe	Japan	Other
	%	£m	£m	£m	£m	£m
Quoted	71.2	1,545.9	1,007.9	163.3	195.2	89.1
Managed funds	28.8	623.9	309.4	113.6	150.5	24.1
Total	<u>100.0</u>	<u>2,169.8</u>	<u>1,317.3</u>	<u>276.9</u>	<u>345.7</u>	<u>113.2</u>

The 10 largest UK equity holdings of the Fund as at 31 March 2002 are shown below.

	Market value £m	% of total UK equity holdings
BP Amoco	75.8	7.5
GlaxoSmithKline	71.5	7.1
Royal Bank of Scotland	59.6	5.9
Vodafone	58.0	5.8
Shell Transport & Trading	39.5	3.9
AstraZeneca	35.1	3.5
Diageo	34.1	3.4
HSBC	32.5	3.2
Lloyds TSB Group	31.1	3.1
Barclays Bank	28.6	2.8
	465.8	46.2

The foregoing excludes exposure to individual stocks through the Fund's holdings of units in Managed and Unitised Funds.

The Fund's investment in the following unit trusts represents more than 5% of the units in issue of these trusts.

	No of units held by the Fund	% of units in issue	Market value of units £m
Midlands Growth Fund	14,055	25.4	0.8
Abbotstone Property Unit Trust	2,575	56.3	4.6

4. Custodial arrangements

During the year the Trustee was custodian of certain property unit trusts, venture capital funds and cash. The title deeds to the Fund's properties were held by the Fund's solicitors, Eversheds. The rest of the Fund's investments, comprising those assets managed by the Fund's investment managers, were held in the names of nominees, by JP Morgan Chase Bank.

5. Investment performance

The Fund participates in an investment performance measurement scheme organised by Russell/Mellon CAPS, which provides comparative information for assessing investment performance. CAPS calculate both the overall investment returns obtained on the Fund's assets and the returns obtained by the individual investment managers.

The table below shows the total investment returns (including both capital and income) obtained on the Fund's assets (including property but excluding AVCs) for the one, three and five years to 31 March 2002 and the corresponding composite benchmark now established by the Trustees as the prime performance comparator (replacing the former peer group median). The benchmark quoted is a weighted average of indices relevant to the new structure and, as such, is of limited application to the five-year averages.

	One Year		Average p.a. since inception of new structure (August 1999)		Three Year Average		Five Year Average	
	Total Fund	Bench -mark	Total Fund	Bench -mark	Total Fund	Bench -mark	Total Fund	Bench -mark
Annual Return %	-0.4	-1.0	-0.3	-0.1	0.0	1.1	6.0	6.6

All major equity markets, except for the Asia Pacific region, produced negative returns over the year in both sterling and local currency terms.

The UK market marginally outperformed the overseas markets by 0.3% over the 12 month period.

Japan was the worst performing region, with the FTSE AW Japan index returning -20.8% in sterling terms. The Japanese interest rate remains close to 0%. The Japanese government announced an anti-deflation package in February 2002 to support the stock market (restrictions were placed on short selling equities) and to tackle bad debts at banks.

Returns from bond markets have all been positive over the twelve months, with the exception of UK fixed interest gilts. UK corporate bonds was the strongest sector, with the Merrill Lynch Sterling Non-Gilts 15+ Years Index returning 5.8%.

Against this background the Fund outperformed its benchmark by 0.6% this year but, nevertheless, returned a negative annual return of -0.4%. Since the inception of the new investment manager structure the Fund has returned -0.3% per annum, 0.2% below benchmark.

Details of the performance of the individual portfolios in the year to 31 March 2002 compared with the previous year are tabulated below:

	Year to 31 March 2002		Year to 31 March 2001	
	Fund	Benchmark	Fund	Benchmark
	%	%	%	%
Index-Tracking - BGI	-1.6	N/A	-6.8	N/A
UK Equities	-3.2	-3.2	-10.7	-10.8
US Equities	-0.7	-0.6	-12.8	-12.9
European Equities (ex. UK)	-6.6	-7.4	-11.0	-11.4
Japan Equities	-20.6	-20.8	-27.8	-28.0
Pacific Basin (ex. Japan) Equities	5.9	5.8	-8.4	-9.0
UK Fixed Interest	-2.3	-1.4	-3.7	-3.7
Index-linked Gilts	2.9	2.7	0.0	-0.1
UK Equities				
Société Générale	-2.0	-3.2	-11.0	-10.8
Alliance Bernstein	4.5*	2.3*	-	-
Baillie Gifford	4.5*	2.3*	-	-
Baring	-12.7**	-12.5**	-17.7	-10.8
US Equities				
JP Morgan	1.4	-0.6	-11.1	-12.9
European Equities (incl. UK)				
Gartmore	-3.0	-5.6	-20.2	-10.2
Far East Equities				
Schroders	-3.2	-6.2	-23.0	-21.0
Bonds				
Henderson	2.8	2.2	5.9	4.6

The active managers (all the above except BGI) have been set targets to achieve, measured as out-performance of the relevant benchmarks over 3 year rolling periods, with the extent of out-performance depending on the portfolio.

* One quarter's results (not annualised)

** Two quarters' results (not annualised)

6. AVCs

Equitable Life

The distribution of the AVCs invested with the Equitable Life up to the year end, is set out below:

	Value of fund at 31 March 2002 £m	% of total
With-profits fund	11.0	58.8
Unit-linked funds		
Managed	4.7	25.5
UK Tracking	1.0	5.1
Lifestyle	0.5	2.7
Building Society funds	1.5	7.9
	<u>18.7</u>	<u>100.0</u>

Investment performance for the year ended 31 March 2002 for the individual AVC funds was as follows:

With-profits fund	Overall rate of return was 4.1% between April 2001 and March 2002.
Unit-linked funds - Managed	The current price of units in the fund is valued at £5.427 compared to £5.767 a year ago, a decrease of 5.9%.
Unit-linked funds - UK Tracking	The current price of units is valued at £1.536 compared to £1.696 a year ago, a decrease of 9.4%.
Building Society funds	Interest rates have fallen from 4.85% to 3.1% during the year.

The Lifestyle fund comprises a mix, dependent on the member's age, of With-profits and Managed Unit-linked funds.

Clerical Medical

The option of investing in Clerical Medical's With-profits Fund became effective from April 2001.

At the time of the preparation of the Accounts no information had been received from Clerical Medical on the value of the Fund's AVC investments at 31 March 2002. The AVC investments have therefore been shown on the basis of the values on the dates of receipt of contributions and transfers.

Compliance Statement

1. Introduction

The Fund was established with effect from 1 April 1989 to provide retirement and death benefits for all eligible employees of London Transport, its subsidiaries and associated companies, in accordance with the Rules of the Fund and Definitive Trust Deeds.

During the year ended 31 March 2002 the following non-associated employers entered into Deeds of Participation with effect from the dates stated below:

Instant Library Limited	15 April 2001
Cadbury Limited	8 July 2001

The Fund is approved by the Inland Revenue as an exempt approved scheme under the provisions of Chapter I Part XIV of the Income and Corporation Taxes Act 1988.

Members of the Fund are contracted out of the earnings-related element of the state pension scheme.

2. Changes to the Rules of the Fund

On 11 April 2001 the Trustee agreed with London Transport changes to the Rules of the Fund to take account of the organisational changes connected with the transition from LRT to TfL and the new employers participating in the Fund as a result of the PPP and certain Private Finance Initiatives (PFI). These included changes which:

- i) incorporated into the Rules the amendments made to the Trust Deed and Rules by the London Transport Pension Arrangements Order 2000 (S.I. 2000/3386), allowing non-associated employers to become Participating Employers and in that context defining a "London Underground Railway Industry Employer";
- ii) provided for the Fund to be divided into sections and its assets to be unitised for investment purposes;
- iii) modified the reporting requirements in Rule 43 following an Actuarial Valuation;
- iv) introduced arrangements for pension sharing on divorce, as required by the Welfare Reform and Pensions Act 1999.

On 8 January 2002 further changes were agreed which:

- v) amended (from 1 May 2001) for deaths after that date the definition of Dependant and Eligible Child, removing, in particular, the requirement to establish dependency on leaving service as well as on death;
- vi) amended (also from 1 May 2001) Rule 36 to remove the cessation of pension for a Dependant who remarries or cohabits under age 55;
- vii) clarified the operation of Rules 8(1), 19(2), 41, 42(1) and 25(3).

3. Management of the Fund

(a) Trustee's responsibility for preparing Accounts

Under the Rules of the Fund, the Trustee is required to prepare Accounts for each Fund year which show a true and fair view of the financial transactions of the Fund during the Fund year and of the disposition, at the end of the Fund year, of the assets and liabilities. Assets do not include insurance policies which are specifically allocated to the provision of benefits for, and which provide all the benefits payable under the Fund to, particular members; liabilities do not include liabilities to pay pensions and benefits after the end of the year.

The audited accounts are the responsibility of the Trustee. Pension scheme regulations require the Trustee to make available to Fund members, beneficiaries and certain other parties, audited accounts for each Fund year which:

- show a true and fair view of the financial transactions of the Fund during the Fund year and of the amount and disposition at the end of the Fund year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Fund year; and
- contain the information specified in the Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the accounts have been prepared in accordance with the Statement of Recommended Practice, 'Financial Reports of Pension Schemes'.

The Trustee has supervised the preparation of the accounts and has agreed suitable accounting policies, to be applied consistently, making estimates and judgements on a reasonable and prudent basis. The Trustee is also responsible for making available each year, commonly in the form of a Trustee's annual report, information about the Fund prescribed by pensions legislation, which is to be consistent with the audited accounts it accompanies.

Following the first minimum funding valuation under the Pensions Act 1995, the Trustee is responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates of contributions payable towards the Fund by or on behalf of the employer and the active members of the Fund and the dates on or before which such contributions are to be paid. The Trustee is responsible under pensions legislation for keeping records of contributions received in respect of any active member of the Fund and for procuring that contributions are made to the Fund in accordance with the Rules of the Fund and with the Schedule of Contributions.

The Trustee also has general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Fund and to prevent and detect fraud and other irregularities.

The Trustee has considered the Fund's compliance with law and regulations and is not aware of any actual or potential non-compliance with laws, regulations and the Trust Deed that could have a material effect on the ability of the Fund to conduct its affairs and therefore on the position disclosed in these Accounts.

(b) Board of Directors

The 18 Directors of the Trustee, set out on page 2, are nominated as follows:

- Nine persons by LRT of whom at least five must be members of the Fund.
- One person each by:- the Transport and General Workers' Union; the National Union of Rail, Maritime and Transport Workers; the Associated Society of Locomotive Engineers & Firemen; the London Transport Joint Trades Committee; the Transport Salaried Staffs' Association.
- Two persons by and from Section One of the LRT Pensions Consultative Council.
- One person by and from each of Sections Two and Three of the LRT Pensions Consultative Council.

Members of the LRT Pensions Consultative Council are Fund Members elected by their fellow members.

4. Transfers

All transfer values paid to or received from other pension schemes were calculated using formulae agreed by the Scheme Actuary and in accordance with statutory regulations. No transfers were made at less than their cash equivalent.

5. Matters relating to the Fund's investments

The Fund's investments are invested in accordance with the Occupational Pension Schemes (Investment of Scheme's Resources) Regulations 1992. The investment adviser, the investment managers and the property managers appointed by the Trustee to advise on and manage funds are appropriately authorised under the Financial Services Act 1986. No employer-related investments were held during the year ended 31 March 2002. The Fund's Statement of Investment Principles was revised during the year to reflect the Fund's Sectionalisation and revisions to individual manager portfolios.

On 2 October 2001 the Government published its response to Paul Myners' Review of Institutional Investment endorsing the eleven investment principles proposed for Defined Benefit Pensions Schemes and asking schemes to comply with them on a voluntary basis. To this end the Trustee commissioned a compliance review which showed that the Fund was, or had plans to become, compliant with the principles, including explaining the reasons for any departures from them. Summary information will be provided to all Members via the Fund's Annual Review and details will be available from the Fund Secretary on request.

6. Actuarial valuation of the Fund

The Scheme Actuary carries out a triennial valuation of the Fund, under Rule 43, in part to ascertain whether the assets already held by the Fund are sufficient to pay all the benefits that have been earned by service up to the date of the valuation. The Scheme Actuary, in carrying out the valuation, also gives advice on future contributions needed to be paid so that all benefits to be earned in the future can be secure.

The Scheme Actuary carried out a valuation as at 31 March 2000 and his report, received in January 2001, showed that, on the assumptions and valuation approach adopted, the value of the Fund's accumulated assets was 101% of the amount needed to cover the cost of benefits earned at the valuation date (representing an excess of assets over liabilities of approximately £46 million).

The Scheme Actuary's report also stated that the overall ongoing cost of future accruing benefits, including allowance for expenses, would require employer contributions at the overall rate of 3.15 times members' contributions, but with rates for individual employers, or groups of employers, varying according to their respective Fund membership profiles. The resultant multiple for the ongoing public sector employers group was 3.10, but the Scheme Actuary concluded that the excess of assets over liabilities would enable that figure to be abated to 3.05 for a 10 year period from 1 April 2001 (subject to further review following the next valuation due as at 31 March 2003). The rates accordingly determined by the Principal Employer for participating employers generally, based on the Scheme Actuary's advice, to apply from 1 April 2001, are reflected in the Schedule of Contributions set out on page 28.

The Actuarial statement made for the purposes of Regulation 30 of the Occupational Pensions Schemes (Minimum Funding Requirement and Actuarial Valuations) Regulations 1996 is given on pages 24 to 31.

7. Changes to the Fund's advisers

There were no changes to the Fund's advisers during the year.

Actuarial Statement

Form of Actuary's statement: Minimum funding valuations

Actuarial statement made for the purposes of Regulation 14 of the Occupational Pension Schemes (Minimum Funding Requirement and Actuarial Valuations) Regulations 1996

Name of scheme: LRT Pension Fund

Effective date of valuation: March 2000

1 Compliance with minimum funding requirement

In my opinion, on the effective date the value of the assets of the scheme was between 115 per cent and 120 per cent of the amount of the liabilities of the scheme.

2 Valuation principles

The scheme's assets and liabilities are valued in accordance with section 56(3) of the Pensions Act 1995, the Occupational Pension Schemes (Minimum Funding Requirement and Actuarial Valuations) Regulations 1996 and the mandatory guidelines on the minimum funding requirement (GN 27), prepared and published by the Institute of Actuaries and the Faculty of Actuaries.

Signed.....

M D May
Fellow of the Institute of Actuaries
Partner in the firm of Watson Wyatt Partners

Watson House
London Road
Reigate
Surrey
RH2 9PQ

9 January 2001

Note: The valuation of the amount of the liabilities of the scheme does not reflect the cost of securing those liabilities by the purchase of annuities, if the scheme were to have been wound up on the effective date of the valuation.

Form of Actuary's statement : Ongoing valuations

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

Name of scheme: LRT Pension Fund

Effective date of valuation: 31 March 2000

1 Security of prospective rights

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

Description of contributions

By members: - contributions as specified in Rule 13 of the Fund, namely 5% of the Contributory Pensionable Salary less £20 pa (for Existing Members)

By the employers - contributions equal to the following multiple of the members' normal Rule 13 contributions

Employer	from 1 April 2000 to 31 March 2001	from 1 April 2002 onwards
Public sector employers' group	2.70	3.05
Infraco BCV Ltd	2.70	3.25
Infraco Sub-Surface Ltd	2.70	3.25
Infraco JNP Ltd	2.70	3.20
Seaboard Powerlink Ltd	3.05	3.50
London Underground Property Partnership employer (when confirmed)	2.70	3.15
Cubic Transport Systems Ltd	3.05	3.55
Electronic Data Systems Ltd	3.05	2.95
Racal Transportation System Ltd	3.05	3.45

subject to review at future actuarial valuations.

Summary of methods and assumptions used

For the purpose of Section 1 I have assumed that the Fund will continue. In the normal course of events active members will continue to accrue benefits under the Fund and their benefits will be based on their actual pensionable service at cessation of active membership and their pensionable pay at the time. The liabilities referred to in Section 1 relate to the benefits which are expected to become payable under the normal operation of the Fund. They take account of the future benefit accruals and include appropriate allowance for future pay increases.

Funding method : projected unit

The projected unit method of valuation entails the following stages.

- First the rate of contribution required to meet the ongoing cost of accruing benefits is assessed by calculating the percentage of members' pensionable pay that is needed to meet the cost of all the benefit accruing to active members in the year following the valuation date, with allowance for projected future pay increases.
- The value placed on the accrued liabilities at the valuation date (including all the liabilities for pensioners and deferred pensioners and based on projected pensionable pay for active members) is then compared with the value placed on the assets.
- The recommended contribution rate is based on the ongoing contribution rate required to meet accruing benefits, adjusted for a temporary period to reflect the difference between the value of the accrued liabilities and the value of the assets.

The ongoing contribution requirement has been assessed by reference to long-term financial assumptions. The comparison of the Fund assets with the accrued liabilities reflects the market conditions on the valuation date; Fund assets have therefore been taken at their market value and the discount rate for assessing the value to be placed on the accrued liabilities reflects market conditions on that day.

Main financial assumptions:

	%
long-term annual rate of:	
investment return	7.25
general pay escalation	4.5
price inflation	3
pension increases* - Existing Members	3
- New Members	3
dividend growth	4
market-related discount rate for assessing the Fund's accrued liabilities	5.3

*on the excess over the GMP

Further details of the methods and assumptions used are set out in my actuarial valuation addressed to the Trustees and dated 9 January 2001.

Signed.....

M D May
Fellow of the Institute of Actuaries
Partner in the firm of Watson Wyatt Partners

Watson House
London Road
Reigate
Surrey
RH2 9PQ

9 January 2001

Actuarial Certificate

Schedule of Contributions (Section 58, Pensions Act 1995)

Name of scheme **LRT Pension Fund**

Adequacy of rates of contributions

- 1 I hereby certify that, in my opinion, the rates of the contributions payable in accordance with this schedule of contributions are adequate for the purpose of securing that throughout the period it covers the scheme will meet the funding requirement imposed by section 56(1) of the Pensions Act 1995.
- 2 In forming this opinion I have complied with the requirements imposed by section 56(3) and 58 of the Pensions Act 1995, the Occupational Pension Schemes (Minimum Funding Requirement and Actuarial Valuations) Regulations 1996 and the mandatory guidelines on minimum funding requirement (GN 27), prepared and published by the Institute of Actuaries and the Faculty of Actuaries, and have made the assumptions prescribed by them.

Signed.....

M D May
Fellow of the Institute of Actuaries
Partner in the firm of Watson Wyatt Partners

Watson House
London Road
Reigate
Surrey
RH2 9PQ

20 June 2002

Note

The certification of the adequacy of rates of contributions for the purpose of securing the meeting of the minimum funding requirement is not a certification of their adequacy for the purpose of securing the scheme's liabilities by the purchase of annuities, if the scheme were wound up.

Schedule of Contributions

(as required under Section 58 of the Pensions Act 1995)

1 Name of Scheme: **LRT Pension Fund**

2 Period covered by Schedule of Contributions:

From the 6th March 2001 for a period of five years until 5th March 2006.

3 Level of contributions payable:

In accordance with Rule 13, members pay contributions equal to 5% of Contributory Pensionable Salary (as defined) less £20 (a year) for Existing Members (i.e. those who joined the Fund on or before 1 April 1989).

Employer contributions are based on the following multiple of the members' normal Rule 13 contributions:

Employer	from 6 March 2001 to 31 March 2001	from 1 April 2001 to 5 March 2006
Public sector employers' group	2.70	3.05
Infraco BCV Ltd	2.70	3.25
Infraco Sub-Surface Ltd	2.70	3.25
Infraco JNP Ltd	2.70	3.20
Seaboard Powerlink Ltd	3.05	3.50
Cubic Transportation Systems Ltd	3.05	3.55
Electronic Data Systems Ltd	3.05	2.95
Thales Telecommunications Services Ltd	3.05	3.45
Cap Gemini UK plc	-	3.10
Instant Library Ltd.	-	3.70 (from 15th April 2001)
Cadbury Ltd	-	2.75 (from 8th July 2001)
Strategic Rail Authority	-	3.40 (from 30th June 2002)

4 Due Date for payment of contributions:

In accordance with Rule 13(3), member contributions are due to be paid to the Fund on or before the 5th day after the end of the period in respect of which the member's wages or salary was paid or the employee's pay date whichever is the later. Under the Pensions Act 1995 employee contributions are legally due to be paid to the Fund no later than 19 days after the end of the month in which they were deducted from employees pay. The employer undertakes to pay contributions to the Fund in accordance with the rules of the Fund. However, employee contributions will not be deemed to be late under this Schedule unless they are paid later than the legal due date. Employer contributions are due to be paid by the same date as the employee contributions to which they relate and similarly are not deemed to be late under this Scheme unless they are paid later than the legal due date for employee contributions.

- 5 Special employer contributions shall be paid to the Fund at amounts agreed between the trustee and the employer. Special employer contributions are due to be paid to the Fund no later than 19 days after the end of the month in which they are agreed between the trustee and the employer.

Note:

This schedule of contributions relates to the payment of normal contributions to the Fund payable under Rule 13 (members) or Rule 16 (employers): it does not relate to the payment of additional voluntary contributions (AVCs) under Rule 27.

Agreed on behalf of
The Trustees to the Fund

Agreed on behalf of
the Principal Employer

Signed.....

Signed.....

C L Angell
Fund Secretary

C J R Bedford
LT Director of Pensions

12th June 2002

12th June 2002

LRT Pension Fund
Addendum to Actuarial Statement

The most recent formal actuarial valuation of the LRT Pension Fund was made as at 31 March 2000 and the valuation results were summarised in our report dated 9 January 2001. The accompanying formal actuarial statement required for the purposes of Regulation 30 of the Occupational Pension Schemes (Minimum Funding Requirement and Actuarial Valuations) Regulations 1996 is set out on pages 25 to 27.

This statement relates to the adequacy of the Fund's resources to meet in full the liabilities of the Fund as they fall due. On the basis of approximate calculations made as at 31 March 2002 which indicate a slight deterioration in the Fund's overall financial position (primarily because of investment market conditions) I am pleased to confirm that, in my view, it nevertheless remains appropriate for the level of employer contributions payable to the Fund to continue at the rates set out in the Regulation 30 statement, except where a change in rate has been agreed and reflected in an updated schedule of contributions, as set out on pages 29 and 30. These employer contribution rates will be reviewed as part of the next formal actuarial valuation of the Fund, due to be made as at 31 March 2003.

M D May
Fellow of the Institute of Actuaries
Partner in the firm of Watson Wyatt Partners

Watson House
London Road
Reigate
Surrey
RH2 9PQ

20 June 2002

Participating Employers' Unit Holdings and Asset Values Statement

During the year, the Fund was restructured into a series of financially segregated sections, comprising a composite section for the ongoing public sector employees (including responsibility for all pensioners and deferred pensioners) and individual sections for each of the private sector employees. Individual sections have similarly been established for the three Infracos, in anticipation of their prospective transfers to private ownership, although they actually remain part of the public sector section until these transfers take place. As part of this restructuring the Fund's main investment portfolio was unitised for accounting purposes. The participating employers' unit entitlements and unit values as determined under Rule 2c of the Fund is shown below.

Participating Employer	Equity Fund			
	As at 31 March 2002		As at 1 April 2001	
	Units	£'000	Units	'000
Public Sector	1,901,451,361	1,848,653.9	1,795,081,867	1,795,081.9
Infraco Sub-Surface Limited	125,510,366	122,025.3	124,812,000	124,812.0
Infraco JNP Limited	111,424,044	108,330.1	111,410,100	111,410.1
Infraco BCV Limited	136,327,539	132,542.1	136,137,600	136,137.6
Seaboard Powerlink Ltd	27,317,175	26,558.7	29,237,400	29,237.4
Cadbury Ltd	263,357	256.0	245,700	245.7
CAP Gemini UK plc	218,767	212.7	212,400	212.4
Cubic Transportation Systems Ltd	2,799,134	2,721.4	3,273,300	3,273.3
Electronic Data Systems Limited	1,572,586	1,528.9	1,756,800	1,756.8
Instant Library Limited	677,702	658.9	644,400	644.4
Thales Communications Services Ltd	217,629	211.6	180,900	180.9
	<u>2,307,779,660</u>	<u>2,243,699.6</u>	<u>2,202,992,467</u>	<u>2,202,992.5</u>

The Equity Fund unit price at the year-end was £0.972233046 (2001 £1.000000000)

Participating Employer	Bond Fund			
	As at 31 March 2002		As at 1 April 2001	
	Units	£'000	Units	'000
Public Sector	930,919,994	953,402.2	1,070,464,588	1,070,464.6
Infraco Sub-Surface Limited	13,942,392	14,279.1	13,868,000	13,868.0
Infraco JNP Limited	12,380,521	12,679.5	12,378,900	12,378.9
Infraco BCV Limited	15,149,102	15,515.0	15,126,400	15,126.4
Seaboard Powerlink Ltd	3,035,020	3,108.3	3,248,600	3,248.6
Cadbury Ltd	29,047	29.8	27,300	27.3
CAP Gemini UK plc	24,266	24.9	23,600	23.6
Cubic Transportation Systems Ltd	310,928	318.4	363,700	363.7
Electronic Data Systems Ltd	176,469	180.7	195,200	195.2
Instant Library Limited	75,005	76.8	71,600	71.6
Thales Communications Services Ltd	24,124	24.7	20,100	20.1
	<u>976,066,868</u>	<u>999,639.4</u>	<u>1,115,787,988</u>	<u>1,115,788.0</u>

The Bond Fund unit price at the year-end was £1.024150480 (2001 £1.000000000)

	31 March 2002	31 March 2001
	£'000	£'000
Equity Fund	2,243,700	2,202,993
Bond Fund	999,639	1,115,788
Other (non unitised assets allocated to Public Sector)	42,357	70,460
Total Net Assets at 31 March	<u>3,285,696</u>	<u>3,389,241</u>

LRT Pension Fund
3rd Floor, Wing Over Station
55 Broadway, London SW1H 0BD