



Welcome to our Autumn newsletter. Once again we have tried to provide an insight into the way that your Scheme operates and the role that the Trustee Directors and the Company play in safe guarding your pension benefits – both now and for the future.

In my last report, I stated that the Company had cut back its disposal programme which, in turn, meant that we would not receive some of its expected contributions. Invensys has, however, continued to make both the lump sum and the monthly contributions agreed in the Schedule of Contributions signed in February.

We have continued our discussions with Invensys on both the level of contribution and investment strategy and we expect to hear from them shortly. We will keep you updated on further developments.

During these discussions, the Company informed us that it would be closing the Scheme to new members with effect from 1 November 2004. **The Company is allowed to take these decisions under the Trust Deed but please be aware this has no effect on any of our existing pensioners, or anyone who is already a member of the Scheme.** Any new employees of Invensys will be offered a stakeholder pension rather than membership of the Invensys Pension Scheme.

The recent Pensions Commission report makes it clear that the Government is taking a much stronger interest in the provision of occupational pension schemes. We will continue to review all Government legislation and make appropriate representations to try to ensure that any changes in legislation or policy have no detrimental effect on our members.

Thank you for your continuing interest in the newsletter. In this edition we have focused on how we invest your money and our equity/bond split of assets. Please feel free to contact us with any questions or comments regarding the newsletter and how we can improve our service to members.

On a personal note, I'd like to wish you all a very happy festive season and a wonderful New Year.

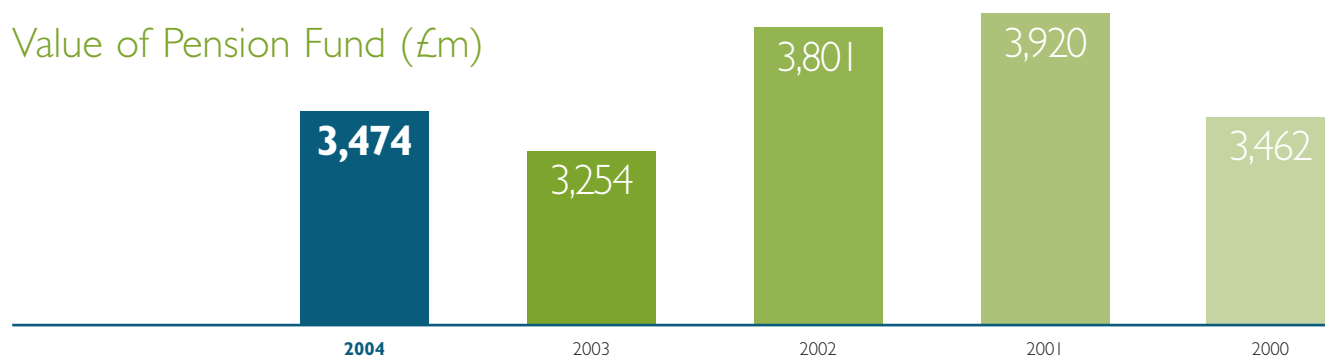
**KATHLEEN
O'DONOVAN**
CHAIRMAN OF
THE TRUSTEE
OF THE INVENSYS
PENSION SCHEME

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Financial highlights

Value of Pension Fund (£m)



Fund account for the period ended 31 March 2004

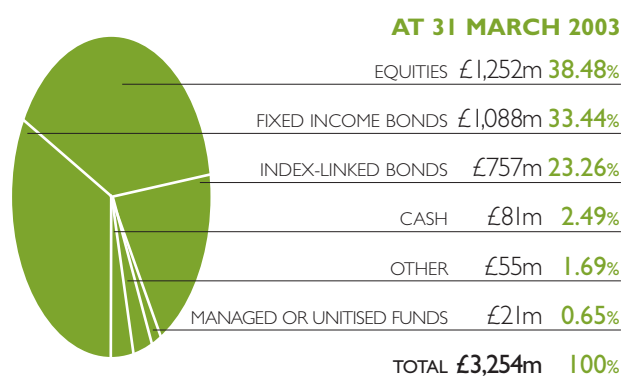
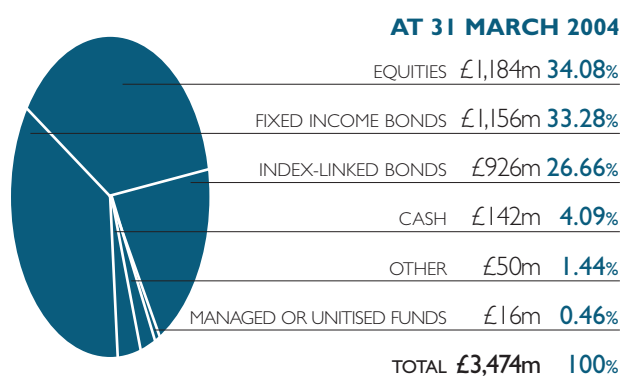
£m	2004	2003		2004	2003
Fund at the beginning of year	3,255	3,800	Net increase/(decrease) in the fund during the year	219	(547)
Contributions	39	13	Fund at end of the year	3,474	3,254
Benefits and expenses	(231)	(230)	Scheme funding level – ongoing basis	93%	89%
Net withdrawals from dealing with members	(192)	(216)			
Net returns on investments	411	(330)			

Pension bonuses awarded



The above bonuses were awarded to members in addition to their normal annual pension increases.

Analysis of investments



Investment return (%)

	2004	2003	2002	2001	2000
Actual return	13.1	(9.2)	0.0	(0.9)	8.6
Benchmark return	12.4	(9.0)	(0.5)	(4.0)	8.6

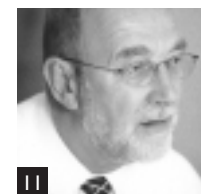
Benchmark return based on a series of performance indices against which investment return is measured.

Number of members

	2004	2003	2002	2001	2000
Actives	4,263	4,988	7,788	8,428	8,107
Deferred	47,983	48,607	48,533	48,951	40,137
Pensioners	59,020	59,549	59,669	60,081	37,418
Total	111,266	113,144	115,990	117,460	85,662

Note: All figures relate to the year ended 5 April, except for 2003 and 2004 which relate to year ended 31 March. The BTR Group Pension Scheme merged with the Siebe Pension Scheme on 6 April 2000 and formed the Invensys Pension Scheme on 6 April 2000.

Trustee Directors



Kathleen O'Donovan (1)

A member of the Trustee Board since 1991 and was appointed Chairman in February 2003. As Chief Financial Officer of BTR and Invensys between 1991 and 2003 she has been deeply involved in the Scheme for many years. Previously a partner with Ernst and Young, Kathleen now holds a number of plc non-executive directorships and is a member of the Court of the Bank of England.

Anthony Gajadharsingh (2)

Qualified in Business and Finance and a member of the Institute of Chartered Secretaries and Administrators. With experience in the execution of large corporate transactions and the required management of lawyers and financial advisors, he led the sale of UKDCS to Invensys plc on behalf of its shareholders. He progressed rapidly from Commercial Director to become Operational Managing Director, delivering financial targets and successfully integrating a newly acquired metering business into the Invensys fold. Since 1 September 2002 he is Managing Director, IMServ Global, and President, IMServ North America.

Regina Hitchery (3)

Regina was appointed SVP Human Resources, Invensys plc in 1999. Regina also acts as a fiduciary of the Company's US pension plan and serves on the Investment Committees of both the US and Canadian plans. She has an MS in management in addition to BA and MA degrees. Regina has over 30 years' global HR experience with extensive involvement in pension plan design, administration and investment.

Geoff Campion (4)

Geoff has worked for Invensys since 1988 and is currently employed as Vice-President Finance for the Invensys Rail Business Group (Invensys Rail Systems) having previously been Finance Director at Westinghouse Rail Systems Ltd since 1992. He is a CIMA Chartered Management Accountant. Geoff was appointed to the Trustee Board in June 2003 and subsequently joined the Investment Committee in February 2004.

Peter Tompkins (5)

Peter is President of the Eurotherm Business Group. He has been with Invensys Eurotherm since 1973. He was appointed President of the Business Group in 2000. Prior to these global roles, Peter spent 11 years managing business units in mainland Europe. He has also held UK positions in research and development management, project management, manufacturing management, sales management and general management. He is a Chartered Engineer and is a member of the Institution of Electrical Engineers and the Institution of Measurement and Control Engineers.

Vic Legg (6)

Vic is employed at Invensys Controls UK as an Auto Setter. In 1962, after completing an apprenticeship at R.N. Dockyard, Devonport, he joined Ranco and has been an employee with the company for 30 years. He was previously a Trustee Member with Ranco Lifeplan and Siebe. He has also received trustee training from MHA Pensions and The National Association of Pension Funds.

Caroline Parker (7)

Caroline is HR Manager with Invensys Climate Controls at Slough. She was previously a Trustee Director on the Siebe Board prior to the merger with BTR. During this time she has attended training courses run by the National Association of Pension Funds and courses on Pension Investment Strategy. She is currently a member of the Governance Committee of the Board. Caroline has an MA in Social Anthropology and is a Graduate Member of the Institute of Personnel and Development.

Russell Walker (8)

Russell has been an engineer with Westinghouse Rail Systems since 1973 and has worked in various engineering roles throughout the company. He has been a member of the Westben pension scheme, later part of the BTR and subsequently the Invensys schemes, throughout that time. In 1995 he was nominated to be a Member of the South West regional PCC and the national UKPCC in 1999. In 2002 he was nominated by the UKPCC as a Member Trustee to the Scheme. He has attended various pensions investment and financial training courses over this period.

Bill Weighill (9)

Bill is employed as a Rewards & Benefits Manager with APV Baker. He is also a member of the Scheme's Investment Committee. Previously a Trustee Director for both the Siebe and the APV Schemes, and a trustee of a former employer's scheme, his involvement as a pension scheme trustee exceeds 18 years. He has an MBA and an MA in Law and Employment Relations. He is a Fellow of the Chartered Institute

of Management Accountants and is a Graduate Member of the Institute of Personnel and Development. He also has attended many pension courses, and holds the Trustee Certificate Of Essential Pensions Knowledge from The Pensions Management Institute.

Ian Fyfe (10)

Ian is a Chartered Accountant and a Chartered Management Accountant. He spent 21 years in various financial and management roles in the Angus and Dunlop Groups. He then switched to pensions and managed the Dunlop Group Pension Scheme from 1982 until its merger with other BTR schemes in 1988. He then became General Manager of the BTR Group Pension Scheme until his retirement in 1996. Since his retirement, he has served as a director of the Trustee Company. He is a member of the Scheme's Investment Committee.

Martin Barker (11)

Martin retired from Westinghouse Brake and Signal Holdings after 35 years' service. His involvement in pensions commenced in 1972 when he became Pensions Manager with responsibility for the Westinghouse Pension Scheme. He became a trustee in 1973 and remained in control of the Westinghouse Pension Scheme until it was merged with the BTR Scheme in 1993. He has also been involved over a number of years in various Group Consultative Committees, and chairing a number of them. He is an Associate of The Pensions Management Institute. He is a member of the Governance Committee.

How we invest your money

All decisions regarding the investment of the Scheme's assets are the responsibility of the Trustee Board. With this in mind, an Investment Committee meets at least once a quarter to review the Scheme's investments and make recommendations to the Board regarding changes in investment strategy or managers. The Investment Committee consists of the Chairman and three other Trustee Directors, (Ian Fyfe, Geoff Campion and Bill Weighill). The General Manager, Investment Advisors and other Advisors also attend the meetings.

During the third quarter of 2004, the Investment Committee has been involved in:

- The replacement of Putnam and Deutsche Asset Management equity share portfolios by a series of units managed by Barclays Global Investors aimed at tracking the major share indices. The change was made in order to ensure a more reliable performance from the equity-based assets.
- Major changes to the bond portfolios with the investments managed by Schroders and Merrill Lynch being re-allocated to BGI, AXA and Prudential M&G. The Board believes

that our future bond investments should be based around a liability matching strategy (see below) and think that the new managers are best placed to provide this expertise.

The Committee members work closely with PSolve, the Scheme's Investment Advisor, to ensure that they are aware of the best forms of investment to meet the needs of the Scheme. They also liaise closely with the Company so that all parties involved in the Scheme's financial development are able to match the requirement to pay pensions for many years to come.

Liability matching investments

Since 1997 the Trustees have gradually moved more of the Scheme's assets into bond investments. Most recently in 2003 the bond investments were increased to around 70% of the total assets. During September this year the Trustee Board agreed to change the way their bond investments are managed.

This is due to the changing landscape of pension funds, coupled with the increasing maturity of the Scheme, which means that we are now able to forecast the Scheme's pension payments over the next 30 years. The bond investments have been restructured so that we are able to meet these payments and to react to changes in inflation and interest rates that will occur over that period.

These pension payment forecasts have to be reviewed regularly so as to take account of the changes in Scheme membership. This may lead to some small changes in the revised structure of our bond investments but, generally, we ought to be able to ensure that our future payment needs are covered by our bond investments.

This type of investment strategy gives the following benefits to our Scheme:

- A closer relationship between the Scheme's investments and its future pension payments.
- A foundation for a more predictable future investment strategy with less surprises as financial markets fluctuate.
- A better long-term relationship between the Company, Trustee and Investment Managers.

Governance updated

The Trustees are committed to meeting the Scheme's governance objectives. These are to manage risk by using defined processes and procedures to ensure effective decision making; and to adopt pension industry best practices wherever these are appropriate for the Scheme.

The Trustees have now formed a Governance Committee to ensure that the Board is able to meet the above objectives. The Committee consists of Anthony Gajadharsingh (Chairman), Martin Barker and Caroline Parker. The Scheme's General Manager (Nigel Casson), and the Scheme's professional advisors will work with the Committee as necessary.

Initially, the Committee will concentrate on the following issues:

- Ensuring that the existing process and procedures of the Scheme are well documented, up-to-date and available.

- Undertaking an assessment of the Scheme's risks, and developing a risk-avoidance strategy.
- Completing a business plan to ensure the Trustees objectives are formally managed.

The Scheme's Annual Report & Accounts has already been subject to a formal governance review. As such, there are changes to the Report that give much greater detail on the way that the Scheme is managed.

The Committee's future plans will include the development of:

- a formal induction and training procedure for Trustee Directors;
- an appointment and appraisal policy for the Scheme's Advisors; and
- a social, ethical and environmental policy in conjunction with the Investment Committee.

The Committee will utilise the Scheme's Advisors, and other external expert advice, to ensure that your Scheme is properly governed.

Jargon busting

Accrual rate

The rate at which benefits build up for each year of pensionable service in a final salary scheme.

Active member

A member of a scheme who is presently accruing benefits under that scheme in respect of current service.

Actuary

An actuary advises on financial questions involving probabilities relating to mortality and other contingencies.

Beneficiary

A person entitled to benefit under a pension scheme or who will become entitled on the happening of a specific event.

Deferred member (Early leaver)

This is a person who ceases to be an active member of a pension scheme,

but does not receive their pension immediately.

Fully funded scheme

A scheme that has a 100% funding level.

Funding level

The level of deficit or surplus in a scheme expressed as a percentage of the scheme's liabilities.

Governance

The management and control of a scheme.

Pensioner

This is a person who is currently receiving a pension from a scheme.

Remuneration

In final salary schemes the amount of pension earned is invariably related to the amount of salary; the Inland Revenue calls this "remuneration".

Schedule of contribution

A formal agreement between the Company and the Trustees which states the level of contributions to be paid to the Scheme by the Company and the members in the future.

Scheme deficit/surplus

The difference between the assets and liabilities of the scheme as assessed by the actuary at a valuation, using a series of assumptions, that may give different results depending on the basis of the assumptions.

Scheme maturity

The number of active members with future benefits to accrue, compared to the number of deferred members and pensioners with known benefits.

Frequently asked questions

Now the Company has closed the Scheme to new members will the Invensys Pension Scheme continue?

The Scheme will continue for all current members until the unlikely events that either Invensys goes out of business or decides that its pension fund should be terminated. We are not aware of any proposals to do this at the current time.

If the Company terminated the Scheme what would happen?

The Scheme would become the responsibility of the Trustees who would decide whether to wind up the Scheme or to continue to pay pensions and other benefits from the fund. As long as Invensys does not go out of business it will remain responsible to meet all of the benefits built up to date.

How do you intend to improve the investment performance of the Fund?

The Trustees review all Investment Managers' performance on a quarterly

basis. The Investment Committee also meets regularly with the Investment Managers and makes ongoing recommendations regarding the use of managers by the Scheme. Most managers are measured over three year periods of performance. Unless there are exceptional circumstances, we would not normally make a change until a manager has been given time to prove their ability.

As you will see elsewhere in this newsletter, we have recently changed a number of equity managers and revised our bond strategy to ensure that the investment performance is more closely aligned to the Scheme's requirements.

What impact do rising interest rates have on the Fund's liabilities and investments?

Changes in interest rates do not alter the benefits that the Scheme is designed to pay to you. However the value of investments may fall as interest rates rise. This may not matter if the future returns are higher and so the expected benefits can still be paid. The Trustees,

with its Advisors, regularly reviews the position and makes changes to protect your benefits that are appropriate and in accordance with the Trust Deed.

How can I get more information about the Scheme?

The Trustees have recently produced a detailed Annual Report & Accounts which is available to all members on request, by completing the enclosed reply card.

Other Scheme documentation can be obtained from the Scheme's administration offices in Newcastle, or please visit www.invensyspensions.co.uk.

WIN a free bottle of champagne

To enter this competition all you need to do is guess the most common surname of all Invensys Pensioners to win a bottle of champagne.

The last date for entry is 31 January 2005

The first 12 correct answers picked out of the hat at random will win a bottle of champagne. Winners will be announced in the next edition of the newsletter

In order to try to obtain your views on the updated newsletter, we have decided to run a competition. We look forward to receiving as many entries as possible.

Send your answers on the enclosed reply card to:

**Nigel Casson
Invensys Pensions
Higham House
New Bridge Street West
Newcastle upon Tyne NE99 1TG**

Information about your Pension Scheme

Would you like to receive a hard copy of the Invensys Pensions Annual Report annually?

If so, please tick the box on the enclosed reply card and return to:
Invensys Pensions
Higham House
New Bridge Street West
Newcastle upon Tyne
NE99 1TG

Or by email to enquiries@invensyspensions.co.uk

The new Invensys Pensions website will be launched shortly.

Please visit www.invensyspensions.co.uk for more information on the scheme.

FOR INFORMATION ONLY YOU DO NOT NEED TO TAKE ANY ACTION

In accordance with the Data Protection Act 1998 we are required to inform you that along with other organisations, Invensys Pensions is taking part in the Audit Commission's National Fraud Initiative 2004/05. This initiative checks the data that we hold against registered deaths to identify cases where pensions are still being paid despite the pensioner's death. This data matching exercise meets the requirements of the data protection law. The Audit Commission will be processing the data for this purpose only, and will comply with data protection principles.

Blind or partially sighted?

Are you, or do you know an Invensys Pension Scheme member who is blind or partially sighted and might be interested in receiving pension communications on an audio cassette? If we have not already been informed, then please contact our payroll manager who will be pleased to make the necessary arrangements.

You can telephone (local rate):

0845 300 0549

or send a fax to:

0191 206 1011

or send e-mails to:

enquiries@invensyspensions.co.uk

Death benefit nominations

Member nominations are essential to help the Trustees decide who should receive a lump sum death benefit. Often we have no nomination. Members who have not previously made a nomination, or whose circumstances have changed, are urged to consider making a nomination. A form is available on the website or by contacting the Scheme administration.

Pensioners **who retired less than five years ago**, or on grounds of ill-health, and are in this position, are invited to contact the payroll manager at Invensys Pensions.

Change of address

Please keep the Scheme informed if you change your address. If you are a pensioner or a deferred member a form is available from Scheme administration or the website for you to complete. For active members please contact your HR department.

Closing dates over Christmas and the New Year

For your information Invensys Pensions will close on 23 December and reopen for business on 4 January 2005.

Scheme administration

The Scheme is administered through the Newcastle office. Please contact us at:

Invensys Pensions
Higham House
New Bridge Street West
Newcastle upon Tyne
NE99 1TG

Telephone (local rate):
0845 300 0549

e-mail:
enquiries@invensyspensions.co.uk