

Following detailed negotiations with the Company (Invensys plc), which have been reported to you through Pension news over the last 2 years, I am pleased to announce that we have completed an agreement with the Company. It provides a future funding plan and revised investment strategy for the Scheme. We believe this will lead to greater security for the future payment of members' benefits.

A full Valuation of the Scheme was undertaken by the Scheme's Actuary as at 30 September 2005 using the new powers of the 2004 Pensions Act. These powers mean that the Company now needs to agree with the Trustee how the Scheme should be funded and hence what contributions should be paid. The Valuation resulted in an actuarial funding deficit of £325m (representing a deficit of 8%) compared to the Valuation as at 31 March 2003 where the deficit was £415m (11%). This improvement reflects the impact of good investment returns, plus the additional special contributions negotiated with the Company in 2003 and paid in over the last 2 years, offset by lower interest rates and therefore lower discount rates, and increased life expectancy. Further details of the Valuation are on pages 3 to 6.

In the light of these results, the Company agreed to make an immediate contribution of £105m to the Scheme and will make further special contributions at 6 monthly intervals with the intention of recovering the current deficit within 9 years. The Trustee is especially pleased that the new funding plan promises to pay into the Scheme special contributions totalling £163m within 3 years, equivalent to half the current deficit. These special contributions will be in addition to the Company's regular contributions of 24.3% of payroll in respect of the active members.

The Company has also agreed to contribute to the Scheme at least 8% of the net proceeds from any business sold, provided the net proceeds exceed £1m, and subject to any Pensions Act requirements.

In summary this means that if assumptions regarding longevity and asset returns remain broadly representative of real life, then this funding plan will meet all future liabilities of the Scheme to the members; as long as the Company is able to make all the contributions it has promised.

This is, of course, tremendous news and I hope it will put some of our worst fears to rest. However, as I have always tried to convey to you, we are dealing with liabilities spread over a long, long time, and many things can happen within the Scheme and the Company; but for the time being we should feel pleased that we are on the right path.

Chairman's statement (continued)

We will continue to monitor our actual progress against these assumptions and the Scheme will complete another Triennial Actuarial Valuation in 2008, when performance and assumptions will be fully reappraised.

As part of this agreement the restrictions on the Trustee's investment powers have been removed enabling the Trustee to invest the Scheme's assets in line with the new funding plan. As a result the Trustee has agreed that it will no longer need to seek the guidance of the Court with regard to its investment powers, and we have therefore rescinded our decision to apply for a Court hearing.

This agreement on funding and investment has been reached after the Trustee has taken significant advice from Punter Southall, the Scheme Actuary, Norton Rose, our legal advisers and PSolve, our investment consultants. We also received independent financial advice from PricewaterhouseCoopers, who reported on the financial status of the Company following discussions with management.

We have kept the Pension Regulator's office informed of the process and we understand that this agreement meets the criteria set out in the Pension Regulator's guidance notes regarding the funding of defined benefit schemes.

Based on advice received the Trustee believes that this agreement is in the best interests of all members.

I would like to thank the team who worked closely on this agreement and most especially Nigel Casson, the Invensys Pension Scheme General Manager who has been the key co-ordinator of the process and has worked tirelessly with the advisers and Company representatives.

I would also like to thank my colleagues on the Trustee Board for all their help and support during this process; in particular Ian Fyfe who has served as a Director for 10 years and was recently appointed as Deputy Chairman to recognise his contribution to your Board.



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

The Trustee has agreed with the Company a funding plan that is intended to recover the Scheme deficit as certified by the Scheme Actuary over the next 9 years.

Scheme funding

The Valuation by the Scheme Actuary was undertaken based on information as at 30 September 2005, using the new powers of the 2004 Pensions Act. The methods and assumptions have been decided by the Trustee after having taken advice from the Scheme Actuary, and have been agreed with the Company. The Valuation will be reviewed every year during the recovery period and a full Valuation will be undertaken at least every 3 years.

Contributions summary

The Valuation as at September 2005 indicated a deficit of £325m and it is planned that this will be recovered by the Company making special contributions as follows:

March 2006	£105 million
2006/07	£20 million
2007/08	£20 million
Each year thereafter until 2014	£35 million (in real terms)

Scheme Funding and Recovery Plan

The Scheme funding and recovery plan agreed between the Trustee and the Company has the following key features:

- i. Schedule of Contributions and Recovery Plan
 - Special contributions noted above will be made on a 6 monthly basis by the Company to the Trustee.
 - Regular monthly contributions will be made at 24.3% of payroll for active members.
 - 8% of net sales proceeds will be paid when an Invensys business is sold, provided net proceeds exceed £1m and the contribution of 8% would be greater than any contribution due under Section 75 of the 1995 Pensions Act.
- ii. Statement of Funding Principles
 - This has been completed by the Trustee and details the methods and assumptions to be used in the Valuation.
- iii. Statement of Investment Principles
 - This has been updated to reflect the Statement of Funding Principles - and to give greater freedom to the Trustee to determine the most appropriate investment strategy.

Members are able to request copies of these documents from Invensys Pensions.

In future the Company will provide ongoing financial information to the Scheme on its financial position, financing arrangements and bank covenants, and will also provide details of any financial issues raised by the Company's auditors.

The above terms have been agreed by both the Trustee Board and the Board of Invensys plc and the initial payment was made to the Scheme on 29 March 2006.

Scheme funding (continued)

Investment strategy

Your Scheme is currently invested in approximately 70% bonds and 30% equities, allocated between three main investment categories:

1 Cash Matching

This comprises predominantly government bonds (known as gilts and very low risk) and high quality, low risk corporate bonds (usually designated as AA and single A corporate bonds). In value terms this represents approximately 50% of Scheme assets.

2 Immunisation

This comprises some gilts, but mostly high quality lower risk corporate bonds (AA to BBB grade). In value terms this represents approximately 20% of Scheme assets.

3 Higher Performance

This comprises equities and a small absolute return hedge fund, and in value terms represents approximately 30% of Scheme assets.

In the light of the Scheme funding changes the Trustee will be further reviewing the investment strategy.

Immediate changes

- The Trustee has placed the £105m received from the Company into the Immunisation fund with the existing Bond Managers.
- The Trustee will shortly transfer approximately 10% of assets from equities to bonds, resulting in 80% of the Scheme assets invested in bonds. The terms and allocation of this investment will be agreed by the Board after consultation with the Company.
- Over the next 4 months the Trustee will finalise a strategy for the allocation of the remaining 20% of assets in the Higher Performance fund.

The Scheme Actuary has carried out an Actuarial Valuation based on the methods and assumptions agreed by the Trustee, and certified that the Schedule of Contributions complies with the Statement of Funding Principles and the Recovery Plan.

Actuarial Valuation

The Valuation of your Scheme involves the calculation and modelling of many complex assumptions. However, there are three main assumptions that have a critical impact on the Valuation outcome, as follows:

Key assumptions

1 The Discount Rate

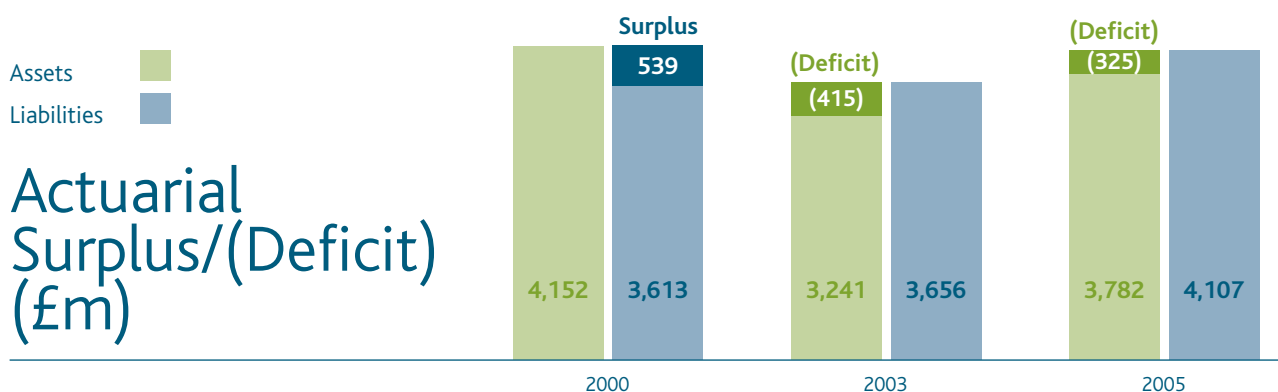
The expected payment of pensions to members over many years in the future has to be expressed in current terms for comparison with the Scheme's assets and therefore the expected pension payments have to be discounted. The choice of the discount rate is important, and it should be neither too conservative (i.e. too low) nor too imprudent (i.e. too high). The rate we have used is 5.2% per annum which is 0.9% above the rate available on government bonds and we consider this to be prudent.

2 Life Expectancy

The longer members live, the more pensions have to be paid. Evidence shows we are all living longer and this trend is expected to continue. A fresh look at statistics has resulted in new assumptions of life expectancy being adopted which are about 1.5 years greater than in the last Valuation. The impact for us is less than for some other schemes as our 2003 Valuation had already allowed for increased longevity.

3 Inflation

We have used assumptions of average inflation of 2.8% per annum and of 3.3% per annum average increases to pensions - recognising that most pensioners have a promise of increases of at least 3% per annum.



Movement in actuarial deficit

The Actuarial deficit at September 2005, compared to March 2003, reduced due to:

- Improved investment returns £481m
- Additional Company contributions £72m
- Other factors £41m

Subtotal reduction in deficit £594m

But these benefits were offset by:

- Lower discount rates £(358)m
- Increased life expectancy of members £(146)m

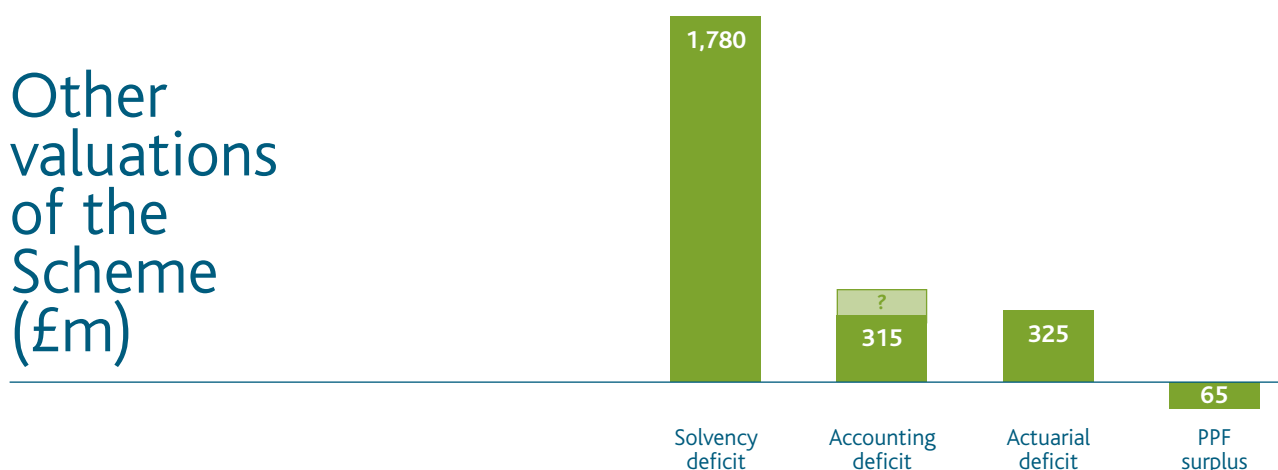
Subtotal increase in deficit £(504)m

Overall reduction in deficit £90m

Members should be aware that there are various methods by which a scheme valuation can be carried out. The alternative methods use different assumptions generally based on different interest rates. In future an annual statement will be sent to all members detailing changes to the Actuarial and Solvency Valuations.

Other valuations

Other valuations of the Scheme (£m)



Solvency valuation

As part of the Actuarial Valuation the Scheme Actuary is required to make an estimate of the costs the Scheme would incur in order to get the insurance market to assume the liabilities of the Scheme. This is essentially a hypothetical figure since the insurance market could not take on a scheme the size of the Invensys Scheme. Indeed, even if it were possible, the calculation shows that the Scheme is unable to secure all of the benefits from the insurance market and so if the Company was to cease then benefits for members would need to be reduced. However, it is a requirement for the Actuary to make an estimate of this cost and provide annual updates.

Accounting valuation

The Company is required to provide for pension benefits in its annual report (this is the IAS19 - previously called FRS17 - calculation). This calculation is similar (but not identical) to the funding plan agreed for the Scheme. The method and assumptions are set by the accounting standard and are subject to changes in the market, and, in particular, the discount rate. As at September 2005 the Company showed a UK Scheme shortfall of £315m but has acknowledged that changes in assumptions are likely to have an adverse effect on future valuations. The Company must also show figures for other pension schemes in its global operations.

Pension Protection Fund valuation

As we advised in the previous Pension news, the Pension Protection Fund (PPF) exists to provide compensation if a company with a pension scheme goes into administration, and the scheme has insufficient assets to provide a minimum level of benefits. The PPF level of benefits currently means that pensioners over 65 will receive their current pension (although future increases may be reduced), other members will have a 10% reduction applied to their pension, with the benefit capped at £26,050 p.a. at age 65, and spouse's pension will be limited to 50% of the member's pension.

The Scheme has to advise the PPF of the size of its PPF liabilities. After the payment of the special contribution of £105m, the Scheme was estimated to be over 104% funded at 31 March 2006. This means that currently the Scheme would be unlikely to join the PPF if the Company were to cease to exist, however the Trustee may have to apply benefit restrictions. As the PPF funding also determines the amount of levy the Scheme has to pay to the PPF, the current level of above 104% means we would expect to pay a small levy this year.

Since the last Pension news there have been a number of changes to the Trustee Board. Following the retirement of Vic Legg and Caroline Parker, two new Member Nominated Directors, Keith Ireland and Douglas O'Keeffe, have been elected to the Board. The Company Representative Paula Larson has resigned and has been replaced by Steve McDonnell.

Changes to the Trustee Board



Keith Ireland Keith is working for the second time for APV UK having originally started in 1976 and returned in 1991. Following a number of engineering and sales support roles he is currently Sales Support Manager in Crawley. He was a member of the APV Pensions Consultative Committee prior to the Siebe merger and has been a member of the Invensys Pensions Consultative Committee since April 2000. He is a graduate Member of the Institute of Food Science and Technology.



Douglas O'Keeffe After many years working in financial and cost accounting Douglas joined Ranco Controls Ltd in 1990 as Assistant Financial Accountant. Douglas has attended the Trustee Induction training run by Invensys Pensions and has been a member of the Pensions Consultative Committee for over 5 years.



Steve McDonnell Stephen joined Invensys in January 2005 and is Head of Group Tax. Prior to that he was in similar roles with Tibbett & Britten Group plc, Thorn Lighting and Laporte plc. Stephen is a Chartered Accountant and a member of the Chartered Institute of Taxation.

Existing Trustee Board members



Kathleen O'Donovan



Geoff Campion



Russell Walker



Martin Barker



Anthony Gajadharsingh



Peter Tompkins



Ian Fyfe



James Rae

For Active Members Only

Changes to Invensys Pension Scheme

Following the Finance and Pensions Acts of 2004 the Rules of the Invensys Pension Scheme have changed with effect from 6 April 2006.

The Company, in agreement with the Trustee, is making changes to the Scheme Rules that will affect all active members under all sections of the Scheme.

Please be aware that the changes only affect any pension rights accrued after 6 April 2006. All pension rights accrued by active members prior to that date will be as defined under the existing Rules of the Scheme.

Summary of Scheme changes

SCHEME INLAND REVENUE EARNINGS CAP



Introduction of a Scheme Specific Earnings Cap

The Inland Revenue earnings cap will be withdrawn and **replaced by a Scheme Specific Earnings Cap**. Like the previous Inland Revenue cap this **will increase on an annual basis in line with Retail Price Inflation (R.P.I.)**. Active members will not be able to accrue benefits in the Invensys Pension Scheme based on salary in excess of the Scheme specific cap, set at £112,500 from 6 April 2006. In addition, contributions will only be paid on salaries up to the cap. Employees earning above this level will be notified separately of any changes affecting their benefits in the Scheme.

Pension Increases for Active Members

Currently the majority of members will receive increases on their pension of between 3% and 5% each year, although members who joined after 2000 have no minimum and a maximum of 5%. **The pension accrued after April 2006 will receive an R.P.I. increase with a maximum of 3% p.a.**

3%
MAX

25%
OF
PENSION
VALUE

Tax Free Cash on Retirement

From April 2006 the tax free cash lump sum a member can receive on retirement will be an **amount up to 25% of the total pension value**.

Flexible Retirement Options

From April 2006 it will be possible for an employee to receive their pension and remain in employment. Typically this will be associated with an agreed change in working hours, as part of the transition to retirement, although it may be applied in other circumstances. Company consent is required to both the change in working practices and the early payment. The normal arrangements for the pension to be reduced, to take into account the early payment, continue to apply.



Additional Voluntary Contributions (AVCs)

From April 2006 members **will not** be able to take out new AVC policies. However contributions to existing policies will be able to continue and changes to existing policies may also be made.

Minimum Retirement Age

From April 2010 legislation will require **the minimum retirement age to rise to age 55**. This will not affect most Scheme members, who have an existing right to retire from age 50 without the need for the consent of their Employer or Trustee. **Those members who are affected by this change will be notified separately.**



Other Legislative Changes

There are a number of other smaller changes that will need to be made to the Scheme but which should not affect the majority of members. More **details of these changes will be notified to affected members.**

Lump Sum Death Benefit

Whilst other benefits have changed it is important to note that the lump sum death benefit available to dependants following the death of an active member **will remain at 4 x Scheme salary** and **dependants will continue to receive a pension in accordance with the existing Rules.**



General information

Additional Voluntary Contributions (AVCs)

The Trustee has recently undertaken a further review of the Scheme's AVC arrangements. As with any other investment under the jurisdiction of the Trustee, AVC policies must be monitored to ensure that the chosen provider is performing satisfactorily. Therefore, having taken independent financial advice from the Scheme's investment strategist, all Friends Provident accounts are in the process of being moved to the Prudential, the Scheme's main AVC provider.

A number of our smaller AVC funds, maintained post merger with other Invensys Company schemes, have also been scrutinised and where appropriate a transfer to the Prudential has been agreed.

The one exception has been funds held with Equitable Life. Over recent years members invested with this provider have been kept informed by the Trustee of developments and the fact that a surrender penalty would be incurred if monies were transferred out. Notwithstanding this, a number of members have taken independent financial advice and moved their funds to one of the Scheme's AVC providers. This option still exists, and any members wishing to consider a transfer to the Prudential should apply to Invensys Pensions for information.

Civil Partnerships

The Civil Partnership Act 2004 enables same sex couples to enter into a civil partnership; that is, a legally recognised relationship with rights and responsibilities similar to a marriage. As far as pensions are concerned, trustees are required to pay death benefits accrued in respect of pensionable service on or after 5 December 2005 in the same way to registered civil partners as they are to spouses. This provision also extends to State pension benefits.

The Act requires no significant change in our practice, as the Scheme already allows same sex partners (as well as unmarried heterosexual couples and family members) to receive a dependant's pension, provided that the HM Revenue & Customs requirements on dependency and interdependency are satisfied.

SMART Pensions

In addition to the legislative amendments described elsewhere in this newsletter, a further change for active members has taken place. The Company has introduced an arrangement called SMART Pensions for Scheme members, whereby participants can save on their National Insurance contributions thus increasing their take home pay. Employees cease making regular contributions to the Scheme and their contractual pay reduces by an equal amount. Their employer then makes additional pension contributions equal to contributions that members would otherwise have made. This arrangement in no way reduces the amount of money paid into the Scheme and has no adverse effect on pension, contractual or statutory benefits.

Deferred members' Benefit Statements

We do not normally issue annual statements to deferred members unless requested. If a deferred member notifies us of a need for an annual statement this will normally be despatched within 4 weeks of the initial request, with future annual statements issued in June each year.

Procedure for reporting a death

In the last Pension news we stressed the importance of reporting the death of a pensioner. Since then a number of members have enquired as to how this should be done. In the first instance a telephone call to Invensys Pensions can be made, and staff there will advise on what action should be taken. Alternatively, a letter enclosing a copy of the death certificate can be sent to the address shown at the end of this Pension news.

To further assist a special form has been designed and is now on our website; this can be printed off and sent with a copy of the death certificate.

Whilst the above concentrates on members in receipt of an Invensys Pension, it should be noted that it is also important to advise Invensys Pensions of the death of a deferred member. This is because there will be monies due to a spouse and/or the member's nominated beneficiaries. The same actions described above can be applied, and there is also a notification form on our website.

Distribution of Pension news

A number of our members have recently asked for definitive dates when Pension news will be distributed. The Trustee has reviewed its policy and agreed that it should continue to circulate two editions of Pension news each year unless there is a specific issue that requires more timely communication. The regular editions are intended to be circulated in the Spring and Autumn. It is felt that a specific publication date is not appropriate as the newsletter needs to contain up to date information and consequently it is often sensible to move the publication date to allow reporting on new regulations or Company consultations. Members are always welcome to contact Invensys Pensions by e-mail or telephone should they have any queries relating to the Invensys Pension Scheme.

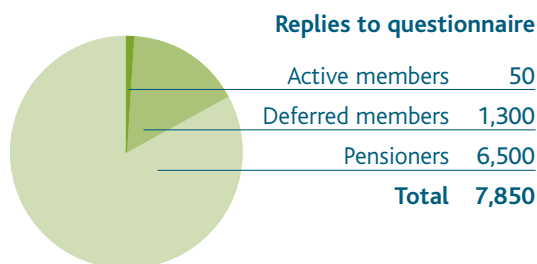
Response to our questionnaire

We received almost 8,000 replies to our request for your views on Pension news. This is an 8% return ratio.

Over 90% of those who responded read most of the newsletter and over 95% found it informative or very informative.

The language, design and content was generally seen as good, although we will review the specific comments made about print size and colour.

Around 65% of the replies asked for a copy of the Report and Accounts. For the Scheme year 2005/06 we intend to publish a Summary Report of the Scheme Accounts for distribution to all members. A full copy of the Report and Accounts will still be available on request.



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.
Phone: 0845 300 0549 (local rate)
Fax: 0191 206 1011
e-mail: enquiries@invensyspensions.co.uk

Website Find out more about your pension scheme by visiting: www.invensyspensions.co.uk

This notice from Invensys Pensions is primarily aimed at retired members actually being paid a Scheme pension now. HOWEVER, deferred members whose pension will be paid to them when they retire at a later date should TAKE NOTE of the reference to "Your current address" which is shown below.

Important Notice

Help us to help you

Change of bank details

PLEASE REMEMBER TO advise us of any change in your banking details, ALWAYS IN WRITING AND SIGNED BY YOU, and if possible well in advance. This avoids your payments going astray or being returned by your former bank or building society, which will automatically lead to a cessation of pension whilst enquiries are made.

Your current address

All too frequently we receive correspondence returned to us by the Royal Mail marked "Gone Away", thus indicating an unreported change of address. If you are in receipt of a pension this means it will be stopped at once whilst enquiries are made. If you are a deferred member we may not be able to pay the pension due to you when the time comes.

IN ALL INSTANCES it is vital that you inform Invensys Pensions, ALWAYS IN WRITING AND SIGNED BY YOU, of any change of address.

WHEN WRITING, it is very much appreciated when you can quote your payroll or pension membership number. If you can't, then please let us have your date of birth and/or National Insurance number.

Tax codes

A final word to anyone who is being paid an Invensys Scheme pension regarding tax. PLEASE REMEMBER THAT we apply a tax code to your pension which is given to us by our local Inspector of Taxes in Newcastle. No other code can be used, and we are unable to tell you how or why the code has been worked out. If you have any queries regarding your tax you must get in touch with our local Inspector directly at the following address:

Inspector of Taxes
HM Revenue & Customs
Northumbria Area
Aidan House
All Saints Business Centre
Newcastle upon Tyne
NE1 2TT

Telephone number: 0845 302 1456

To help the staff there identify your records always quote reference 504/8560 and your National Insurance number.