

During a year when concern over UK pensions has been the subject of many headlines, reports and studies, I am pleased to report that your Scheme has managed to maintain steady progress towards regaining a sound financial base. However, as you will have seen from our regular newsletters, discussions with the Company have at times been slow. There is a delicate balancing act to be maintained here, between what the Scheme needs and the most the Company can reasonably afford. Your Trustee continues to work with all relevant parties to ensure that the optimum balance can be achieved.

Your Scheme is a very mature one, with over 97% of the members already receiving pensions or having deferred pensions. The Company's decision to close the Scheme to new members from November 2004 has accelerated this trend and serves to emphasise that the Trustee must continue its efforts to ensure that funds are available to meet Scheme liabilities into the future. The key to this is ensuring that the asset value is maintained and improved and that the deficit is eradicated. As I have mentioned before this can only be achieved by a) an effective investment strategy and b) appropriate funding by the Company.

Our investment strategy considers that the current mandated minimum 30% investment in pure equities, whilst not currently harming the Fund due to the recent increase in stockmarkets, is running too great a risk for our members over the medium to long term. As we have limited funds being contributed we cannot afford to take the risk that the deficit could get worse; this marks us out from other company schemes where the financial strength of the sponsoring employer is better able to stand any underperformance.

Discussions with the Company on the investment strategy are currently delayed whilst we debate this aspect of the Trust Deed amendment. Having explored these issues with its legal advisers, and after discussions with the Company, your Trustee is preparing an approach to the Court in order to obtain a definitive interpretation of the Trustee's investment powers.

Regarding the important issue of Scheme funding, the implementation of the Pensions Act 2004 and the establishment of The Pensions Regulator means that far greater scrutiny is now placed on companies and their attitude to funding pension schemes as well as, of course the actions of trustees. Representatives of the Trustee and the Company have met with The Pensions Regulator and we remain convinced that an early agreement to a new Statement of Funding Principles will be beneficial to the security of the Scheme.

We continue to explore all available options in discussion with the Company with the intention of ensuring that the Scheme receives the best possible funding from the Company's available resources. The Trustee is being helped in these discussions by its advisers, and in accordance with The Pensions Regulator's advice is taking separate external professional advice on the financial status of the Company and its funding capabilities.

We will continue to keep you informed of developments in relation to the Scheme both in our regular newsletters and also on our website. Please feel free to provide the Trustee with feedback on any pension issues that concern you. You can contact us through our website www.invensyspensions.co.uk or by contacting Invensys Pensions direct as detailed on the back cover.

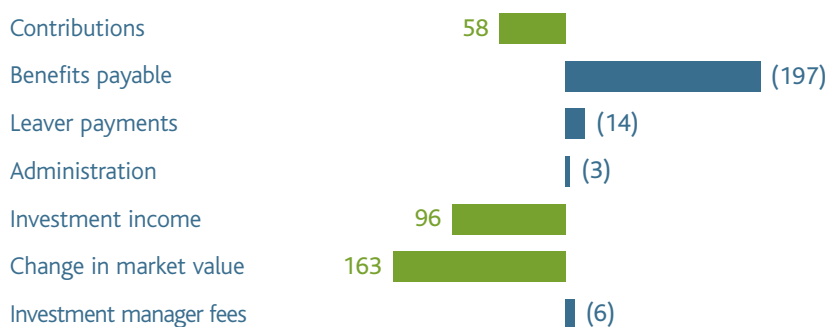


KATHLEEN O'DONOVAN
CHAIRMAN OF THE TRUSTEE OF THE
INVENSYS PENSION SCHEME

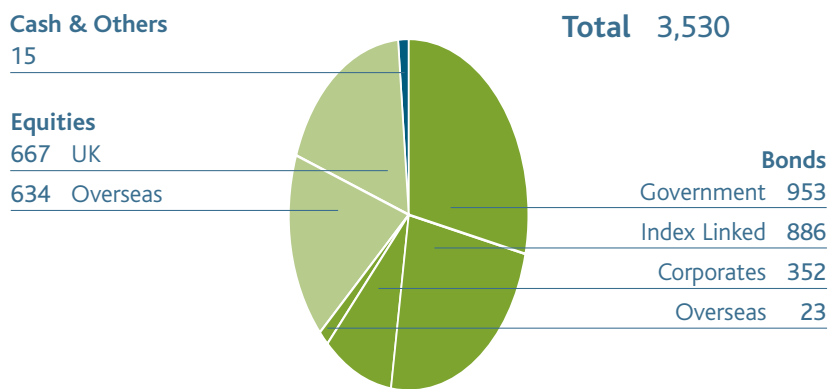
We have summarised below the key financial highlights of the Scheme for the year ended 31 March 2005. It is also important to look at how the Fund has performed over a number of years. This is illustrated on the opposite page.

Financial highlights

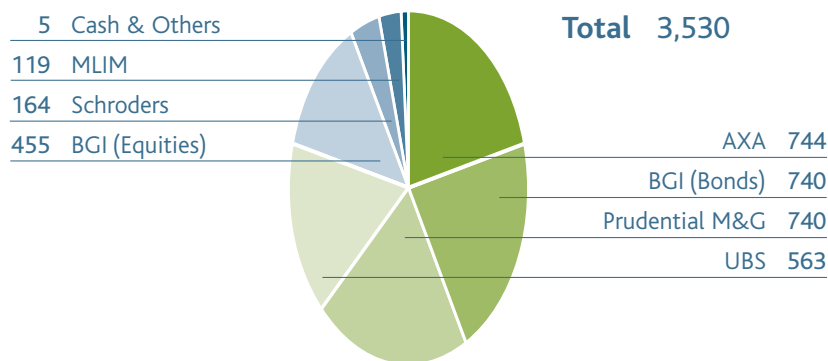
Income, expenditure by main category (£m)



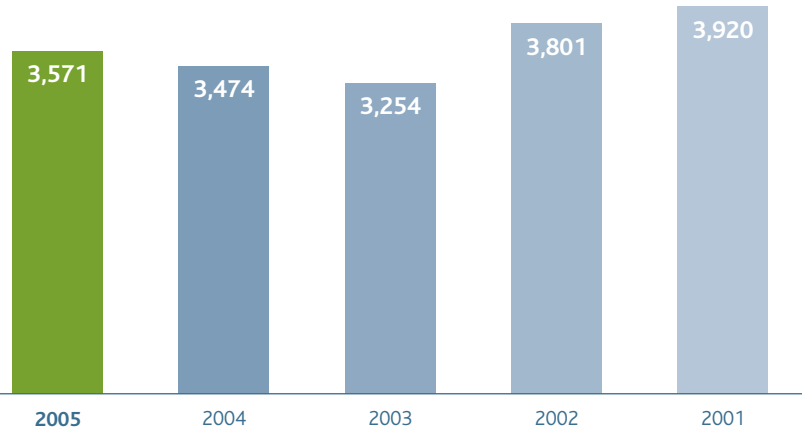
Distribution of investments by type (£m)



Distribution by investment manager (£m)

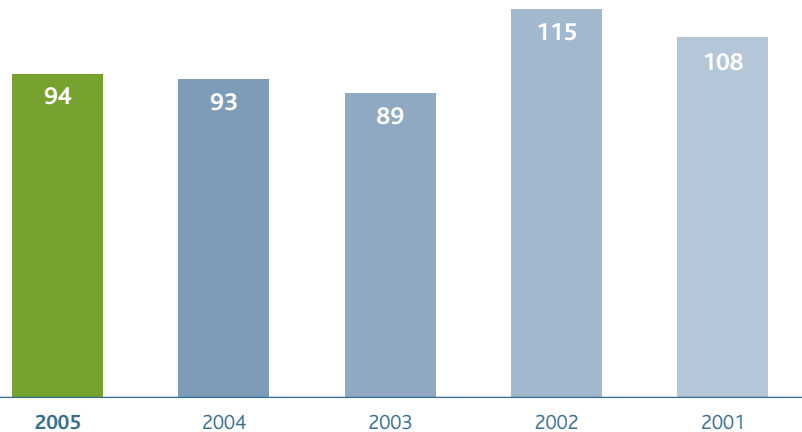


Value of pension fund (£m)



Scheme funding levels on an ongoing basis %

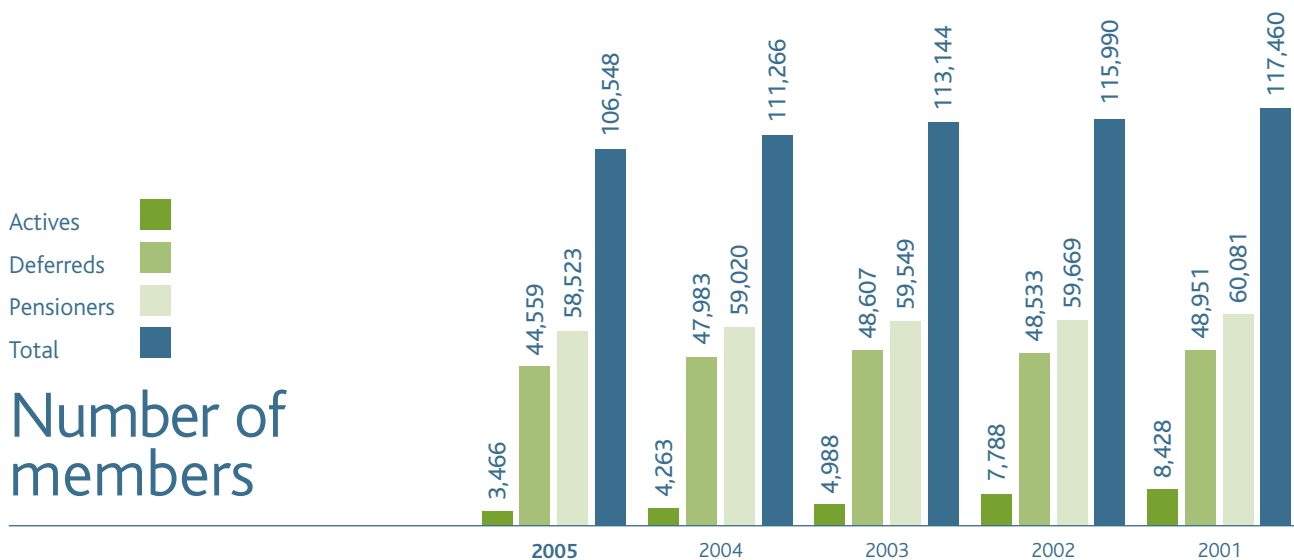
Ongoing basis is the actuarial basis of funding used in the 2003 Valuation



Investment returns %

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

	2005	2004	2003	2002	2001
Actual return	7.8	13.1	(9.2)	0.0	(0.9)
Benchmark return	7.4	12.4	(9.0)	(0.5)	(4.0)



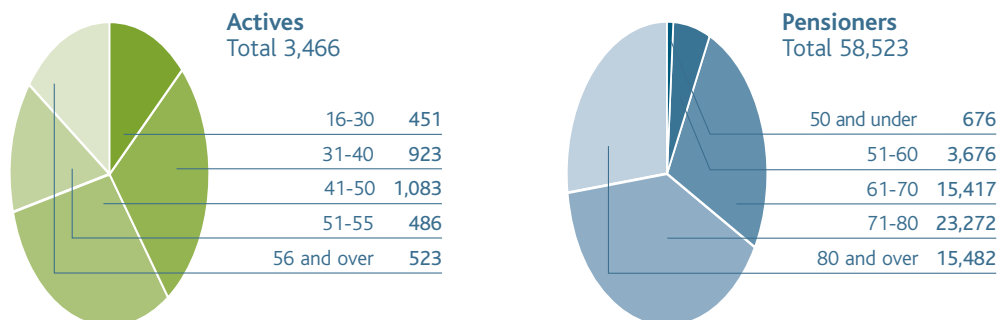
The structure of the Scheme's membership continues to become more mature with fewer active members and an increasing age profile of all members. The charts below illustrate the current position of the Scheme's membership and also show the current distribution of active members.

Membership analysis

Changes in membership during the year

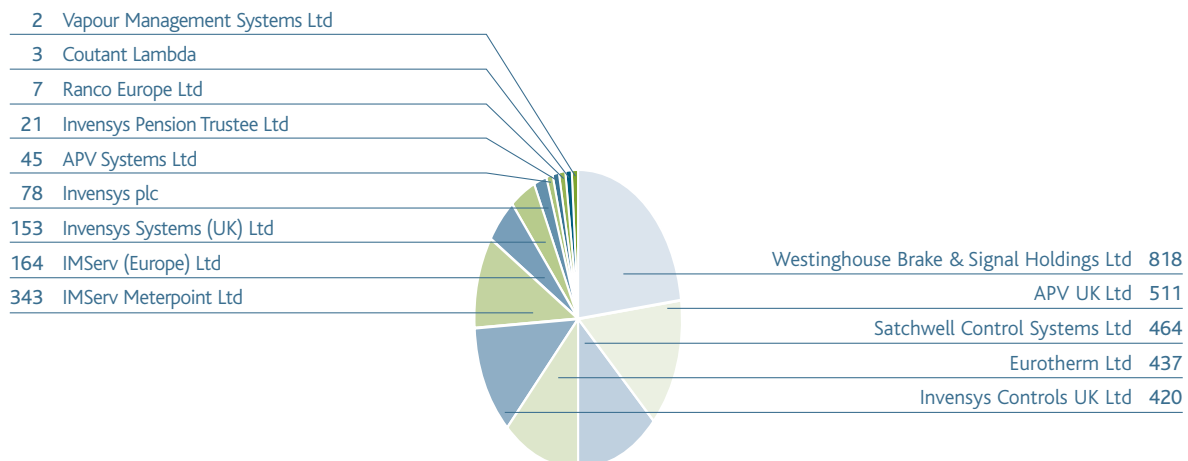
	Actives	Deferreds	Pensioners
As at 31 March 2004	4,263	47,983	59,020
New entrants	230	431	2,186
Deaths	(3)	(90)	(2,683)
Retirements	(352)	(1,124)	—
Leavers	(672)	(2,641)	—
As at 31 March 2005	3,466	44,559	58,523

Age profiles as at 31 March 2005



Active members by operating company as at 31 March 2005

Total 3,466



Legislation

The Pensions Act of 2004 has brought about some major changes to the way occupational pension schemes are managed in the UK. A number of major changes were introduced from 6 April 2005 and further changes to pension regulation will be made during the next 12 months.

1 The Pensions Regulator

The Pensions Regulator has been set up to replace OPRA with the intention of providing a new proactive and risk-based approach to regulation.

The Pensions Regulator will concentrate its resources on schemes where there is the greatest risk to the security of members' benefits. It will promote effective governance for all pension schemes and it will work with the trustees, employers and professional advisers to put things right where necessary.

The Invensys Pension Scheme has already met with The Pensions Regulator and will keep in close contact in order to try to ensure the continuity and security of your Scheme.

www.thepensionsregulator.gov.uk

2 Pension Protection Fund

The Pension Protection Fund has been set up to protect the pensions of most members of defined benefit schemes where employers get into financial difficulty and leave the scheme without enough funds to pay the pensions in full.

The fund is a form of insurance for scheme members and whilst a pension may not be paid in full, members whose schemes enter The Pension Protection Fund will receive a substantial element of their pension, and more than they would have received had the fund not been brought into existence.

The fund is supported by a levy made on each existing scheme. During 2005/06 the Invensys Pension Scheme's levy totalled £1.4m and in future years it is expected that this will increase substantially.

www.pensionsprotectionfund.co.uk

3 Statement of Funding Principles

From January 2006 each scheme will agree with the employer a Statement of Funding Principles with regard to the scheme. These principles must be in line with the regulations laid down by the Government and also in accordance with the wishes of The Pensions Regulator. The intention is that all schemes agree with the employer a level of contributions that will ensure that the scheme is fully funded in the future.

Q and A's

During the year the Chairman and management of the Invensys Pension Scheme receives correspondence regarding the Pension Scheme and its future. We feel it is important that we answer the regular questions that members raise.

How does the Scheme manage to afford an annual increase to all pensioners?

Whilst many members appreciated the annual increase received in April this year members should be aware that the Trustee is required to pay these increases by the Trust Deed. In fact, for the majority of Scheme members the rules GUARANTEE a minimum level of increase of 3% and a maximum of 5%. These increases are sometimes higher than the rate of inflation and indeed the increases provided by most good schemes. This coupled with the previous history of generous bonuses granted over the years all adds to the size of the Schemes' liabilities.

Why doesn't the Trustee force the Company to sell assets to reduce the pension deficit?

Whilst the Pensions Act of 2004 does, in exceptional circumstances, increase the Trustee's power with the help of the Regulator, it does not enable unilateral interference with a company's normal operations.

Can the Trustee force the Company to fully fund the Scheme?

Under the Trust Deed, the Company retains the ultimate responsibility for funding the Scheme therefore it is not in the interests of members to force any action on the Company which could seriously compromise its operations. New legislation will ensure the Company agrees a Funding Plan with the Trustee following the next valuation, however the Trustee can only agree the best possible funding for the Scheme allowing for what the Company can reasonably afford.

What would happen if the Company ceased trading?

As we have mentioned in previous newsletters should the Company cease trading as a result of business problems there will be no further funds to meet any existing deficit and lower benefit levels would have to be paid. In this case the Scheme would be considered for entry into the Pension Protection Fund.

The Chairman's Statement in this and previous newsletters has emphasised the delicate balance to be maintained between getting what we need and the Company paying what it can afford.

The recent Government regulations which come into effect in 2007 include changes to the structure of pension scheme trustee boards. The Trustee is currently discussing the effects of these changes with the Company.

Trustee Board update

During the year there have been a number of changes to the Trustee Board.

On 31 December 2004 Regina Hitchery, SVP Human Resources, left the Company and was replaced on the Trustee Board by John Reed. Subsequently on 31 May 2005 John Reed was replaced by Paula Larson who has taken up the role of SVP Human Resources for Invensys plc. Paula was appointed to this role in April 2005. Prior to this role, she had been the head of Human Resources for Eaton Hydraulics since 2003. From 1992 to 2003, Paula held various human resources leadership roles across a variety of General Electric businesses. Previous to this period, she worked for a global Human Resources consultancy, specialising primarily in executive assessments and organisational effectiveness interventions.

Paula holds an MA in Industrial/Organisational Psychology and an MBA.

On 31 March Bill Weighill, Rewards & Benefits Manager with APV Baker, retired after over 18 years' service as a Trustee to this and predecessor pension schemes. As a Member Nominated Trustee his replacement was elected by the UKPCC and James Rae (UK Cost Accountant for Eurotherm Limited) was elected to the Board. He has been with Eurotherm since 1979. He was a Trustee of the Eurotherm scheme for 12 years during which he attended various Pensions courses, until it was merged with the Invensys Scheme in 2001. He has been a member of the UKPCC since 2003 and was nominated by the UKPCC. As a Member Trustee to the Scheme from April 2005 he is currently undertaking the Trustee training programme.

Since June, unfortunately, two further Board members have had to resign.

Caroline Parker, HR Manager at Invensys Climate Controls, left the Board on 1 August 2005 following the sale of her company by Invensys plc.

Vic Legg, an Auto Setter at Invensys Controls UK, had to resign from the Board on 9 September due to his retirement from the Company after more than 30 years' service.

The Board wishes to thank Regina, Bill, Caroline and Vic for their services to the Scheme and their hard work and commitment as Trustee Directors.

At the next UKPCC meeting in October an election will be held to find replacements for Caroline and Vic. It is hoped that they will be able to attend the Trustee Board meeting that will be held in December.

New Trustee Board members



Paula Larson



James Rae

Existing Trustee Board members



Kathleen O'Donovan



Anthony Gajadharsingh



Geoff Campion



Peter Tompkins



Russell Walker



Ian Fyfe



Martin Barker

This is the pension payments team who deal with the pensions benefits of retired employees within the Scheme. They ensure your records are kept up to date and your pensions paid on time.

Pensioner payroll team

During an average working month the team receive 1,800 letters and 800 telephone enquiries which all require action to ensure that changes to an individual's pension details are made smoothly and on time. Each month over 50,000 individual payments are made and these total in excess of £15m. The team prides itself on ensuring that every pensioner receives the correct payment at the correct time and they are always available to help and answer any questions that a pensioner may have.



Ashlyn Ormond

Ashlyn began her employment in the Payroll Department in 1984 where she worked as a clerical assistant. She progressed within the Department becoming Payroll Manager in 1993 and has since successfully passed the National Diploma in Payroll Management.

Ashlyn's main role is to manage the payment of 50,000 pensions. She has a team of two full time staff and one part timer to assist her.

Ashlyn ensures that payments are made both accurately and efficiently, so keeping up to date with statutory legislation is a vital part of her job.

Ashlyn runs an "In House" system which ensures that she is in full control of all tasks including the production and mailing of the payslips.



Leigh Hunter

Leigh is in her 15th year of working in the Payroll Department having started her employment as a clerical assistant and progressing to her current position of Senior Payroll Administrator. After some hard study she passed her National Diploma in Payroll Management.

Leigh specialises in answering pensioner queries over the telephone, by letter, and occasionally face to face.

Leigh's main aims are to work as a team member with the rest of her colleagues in the smooth running of the Department, dealing with queries and updates to records quickly and efficiently.



Amy Macknight

Amy started with the Company as an office junior in 1980 and moved into the Salaries Department a few years later where she acquired her knowledge of income tax. From there she was transferred to the Payroll Department where she was soon promoted to a Senior Payroll Administrator. Amy has undertaken this role for a number of years and is a competent and knowledgeable clerk. She has also just celebrated her 25th anniversary with the Company.



Debbie Churchward

Debbie started working for the company in 1991, as a typist for the Benefits and Accounts Departments. She transferred to the Payroll Department in 1994, progressing to her current position of Senior Payroll Administrator.

Debbie specialises in writing reports and producing spreadsheets for the Department, alongside her normal duties which include dealing with any enquiries raised by our members.

In 2002 Debbie successfully passed the National Diploma in Payroll Management.

If you have any payroll queries on your pension please feel free to contact the pensioner payroll team on 0191 206 1071 or use the contact details on the back cover.

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 0845 300 0549 (local rate) or send a fax to 0191 206 1011 or send e-mails to enquiries@invensyspensions.co.uk.

Two important messages for pensioners

1 Spouse's pension

If you die whilst in receipt of an Invensys Scheme pension, then payment must stop at once. A spouse's pension (payable to your husband or wife) will replace it at a different rate.

From time to time we learn that a death has not been reported to us by a spouse or relative in the mistaken belief that the member's pension should automatically continue. This is definitely not so. We must still be told, and if any readers think that a death has not been reported, then please get in touch with Invensys Pensions immediately.

If there is no spouse, then pensions may be awarded at the discretion of the Trustee to another financially dependent person, such as a long term partner.

2 The fight against fraud

Making a mistake is one thing, but claiming a pension in the knowledge that it is not your own is a criminal act of fraud.

The Trustee must, and does, take this matter very seriously. Payments are monitored and when overpayments to a pensioner are found the money owed is always recovered by whatever means available. This includes court action and informing the police.

Over the last few months Invensys Pensions has been working closely with the Audit Commission, the creators of the National Fraud Initiative. The exercise entailed matching our pensioner payroll data with the register of known deaths and has proved very successful. Of the 59,000 records submitted, we found that 89 pensioners had died, but payments were still being made to them.

The pensions were stopped and the process of recovery, as described above, set in motion. To date the majority of the money has been recovered, and the Trustee now awaits the Court's judgement in respect of two cases where actions to prosecute have been instigated.

Finally, if the above seems harsh then consider this: those who make fraudulent claims are taking money from the pension fund which belongs to you.

Pensioner's change of address or banking details Please keep the Scheme informed, in writing, if you change your address or your bank details. Forms are available from Scheme administration or the website for you to complete.

Deferred Members' Statements We do not normally send statements to deferred members as a statement is always available on request. However, if you wish to receive an update each year please write or email Invensys Pensions stating your full name, address, date of birth and National Insurance number and you will be added to our mailing list.

2005 Report & Accounts A 32 page booklet detailing the Scheme's Report & Accounts for the year ended 31 March 2005 is now available. If you have not already received a copy and wish to receive one please contact the Scheme administration.

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

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