

Invensys Pension Scheme

Annual Review 2008

Responsible performance

This is a Summary for all members of the Trustee's Annual Report & Financial Statements 2008. A full copy of this Report is available from Invensys Pensions. For contact details please see the back cover.

The Trustee's first
responsibility
is to members.

The Trustee aims to
provide a **reliable**
investment performance,
reassurance and
careful management
of its **resources.**

Financial results

for the year end
31 March 2008

| Income | £m |
|-------------------------------------------|----------------|
| Employer's contributions | 85.1 |
| Members' contributions and transfers in | 22.8 |
| Investment income | 128.0 |
| | 235.9 |
| Expenditure | |
| Pensions and benefits paid to members | 210.8 |
| Payments to and on account of leavers | 5.1 |
| Administration and investment expenses | 10.3 |
| | 226.2 |
| Fund value at beginning of year | 3,838.5 |
| Increases in value of investments | 46.3 |
| Difference between income and expenditure | 9.7 |
| Fund value at end of year | 3,894.5 |

Investments

| | 31 March 2008 £m |
|--------------------------------------------------------------|------------------------|
| Fixed interest securities | 1,580.5 |
| Equities | 344.9 |
| Index-linked securities | 851.9 |
| Managed and unitised funds | 789.1 |
| Cash items | 231.8 |
| Derivatives | 36.9 |
| Additional voluntary contributions & transfer-in investments | 10.0 |
| DC Section | 0.4 |
| Other | (0.8) |
| | 3,844.7 |
| Fixed assets | 0.1 |
| Current assets and liabilities | 49.7 |
| Fund value at end of year | 3,894.5 |

Chairman's review

This year's Annual Report and Financial Statements to 31 March 2008 reflect the extremely difficult investment conditions that have prevailed for the majority of the year.

The defensive position of our investment portfolio (reflecting the increasing maturity of the Scheme, with less than 2% of our members actively working for an Invensys company) means that we have survived the "credit crunch" comparatively well. The investment strategy has proved to be sound for our Scheme, and over the long term we hope to see our current investment performance improve to targeted levels.

Valuation

We have agreed with the Company that a full triennial valuation of the Scheme's position, as at 31 March 2008, will take place and we expect the results to be available before the year end. The Trustee is responsible for the setting of the valuation assumptions after taking professional advice. These are then agreed with the Company.

Following completion of the valuation we will discuss with the Company a Schedule of Contributions and a Recovery Plan that aims to ensure the ongoing security of the Scheme and the elimination of the current Scheme deficit. For the last three years we have taken professional advice on the strength of the Company's

financial covenant. The Company has returned to the FTSE100 Index of leading UK companies for the first time since 2003. The Company has continued to show its commitment to the Scheme through its agreed contributions and we, as Trustee Directors, are pleased with the improving health of the Company.

Investments

The investment strategy for the DB Sections is now well established. It targets 80% of the fund to be invested in a Matching Fund of bond type investments giving a relatively secure investment that is intended to broadly match increases or decreases in the Scheme's liabilities.

The remaining 20% is expected to give a higher rate of return in the Higher Performance Fund. This fund was re-allocated during the Summer of 2007, by diversifying into differing forms of investment instruments. We now have eight asset managers invested in five major types of investment, namely: broad based bonds, dynamic asset allocations, global equities, fund of hedge funds and an equity derivative overlay strategy. This diversification aims to reduce the risks to the Scheme by spreading exposure over more asset classes.

Our strategy to reduce risk, increase security and, where possible, target additional returns to help reduce the Scheme deficit, is expected to continue in the current financial market conditions.

Over the course of the year the assets held by the Scheme have increased in value by £311m, driven in part by Company contributions of £97m and the positive investment return of 4.7%. Given the parlous state of the financial markets we have failed to meet our long term benchmark; however the performance is still a positive achievement, when the market value of many asset classes which fell by between 5 and 10%.

Overall the Scheme's assets were estimated (based on the 2005 valuation assumptions) to cover 93% of the liabilities at 31 March 2008 compared to 95% at the start of the year. Whilst this is disappointing, it is important to keep this in context. The liabilities have increased at a much greater rate than most asset classes this year – so even to keep pace with the liabilities has been an almost impossible task, in current market conditions.

Communications and Governance

We continue to aim to improve the way we communicate with our members. The feedback from our recent newsletter has been excellent and we will continue to search out ways to provide members with helpful and relevant information about the Scheme in a simple and understandable manner.

We place great importance on the governance of your Scheme. An external audit of the internal controls at our administration office in Newcastle confirmed that the Scheme is well administered. Our experienced team provide an excellent service in supporting the needs of members and the Board is grateful for their continuing hard work.

The Board have had another eventful year; I must praise the Board members' involvement, effort and enthusiasm in tackling an increasing number of technical issues in order to meet the responsibility of providing a safe and secure Scheme for all members now and in the future.



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



Investment report

The Scheme's investment strategy reflects the mature nature of the Scheme. At 31 March 2008, 98% of the Scheme's membership were in receipt of a pension in payment or held a deferred pension.

This high level of maturity indicates the Scheme should operate an investment policy to ensure that the returns on assets meet the future known liabilities of the Scheme. The reduced risk implicit in such a strategy means that generally a lower return is targeted than in less mature schemes.

Given the mature nature of the Scheme, 80% of the assets are invested in bonds or "bond-like"

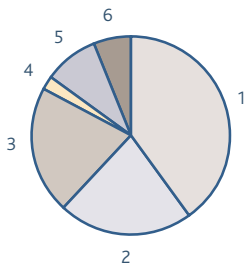
instruments in order to seek to match the movement of the liabilities. This has been an ongoing policy of the Trustee over the last seven years. Over 35% has been invested in Government bonds.

The Scheme's current investment objectives are to achieve investment returns that, together with the contributions paid by the Company and by members, ensure the assets of the Scheme are sufficient to meet the benefits due to each member and the expenses of the Scheme as they fall due over time.

The last 12 months have proved a difficult time for UK pension schemes and their sponsors as well as for the Bank of England and other

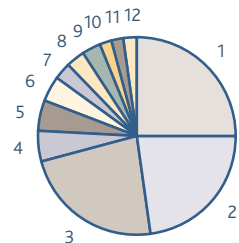
Distribution of investments by type (£m)

| | |
|--------------|----------------------------|
| 1,581 | Bonds - Fixed Interest (1) |
| 852 | Bonds - Index Linked (2) |
| 789 | Bonds - Managed Funds (3) |
| 37 | Bonds - Derivatives (4) |
| 345 | Equities (5) |
| 241 | Cash and Others (6) |
| 3,845 | Total |



Distribution of investments by investment manager (£m)

| | |
|--------------|---------------------------------------|
| 1,024 | Barclays Global Investors (1) |
| 1,012 | M&G (2) |
| 997 | AXA (3) |
| 182 | Fortis Investments (4) |
| 181 | BlackRock (5) |
| 165 | Invesco Asset Management (6) |
| 81 | Société Générale Asset Management (7) |
| 70 | Alliance Bernstein (8) |
| 69 | Pioneer Investments (9) |
| 35 | Stone Harbor Investment Partners (10) |
| 21 | Protected Rights & AVCs (11) |
| 8 | PSigma Investments (12) |
| 3,845 | Total |



central banks. In the midst of stories about the failures of banks and worldwide economic slowdown, very few days have passed by without some discussion of the impact on retirement saving and provision.

Through this period the Scheme's investment strategy is designed to adopt a more defensive position, in order to reduce the impact of the volatility in major financial markets.

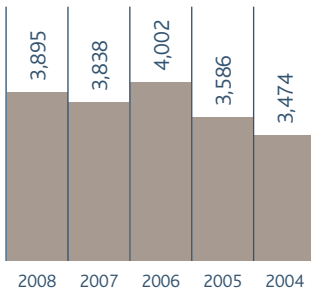
Since August 2007 the substantial market downturn has caused assets of all descriptions to suffer significant falls in value.

An investment return for the year of 4.7% did not meet the Scheme's

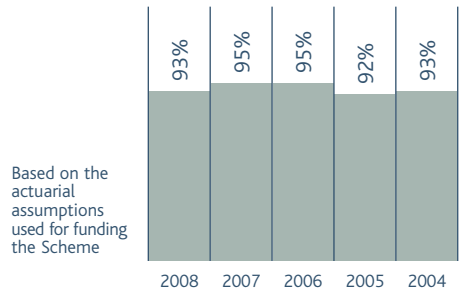
objective of 10.3%. Over the last three years the assets have generated a return of 6.2% per annum against a Scheme target of 7.1%.

Many asset managers in the market place have underperformed their absolute benchmarks. We monitor our managers and make sure that their performance is no worse than others. The Investment Committee has reviewed the managers' performance using appropriate relative composite indices and currently consider no material change needs to be made. This relative performance will be kept under review.

Value of pension fund (£m)



Scheme funding levels on an ongoing basis



Investment returns (%)

| | 2008 | 2007 | 2006 | 2005 | 2004 |
|------------------|------|------|------|------|------|
| Actual return | 4.7 | 0.4 | 14.0 | 7.8 | 13.1 |
| Benchmark return | 10.3 | 1.0 | 14.2 | 7.4 | 12.4 |

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

Trustee Board



TOP ROW, LEFT TO RIGHT
Kathleen O'Donovan
Eleanor Whitfield
Ian Fyfe



MIDDLE ROW, LEFT TO RIGHT
Anthony Gajadharsingh
Geoff Gayfer
Martin Barker



BOTTOM ROW, LEFT TO RIGHT
Steve McDonnell
Russell Walker
Tony Ferris

The Board is now made up of nine Directors, four Company Nominated and five Member Nominated (MNDs). Of the five MNDs, three are Pensioner members and the remaining two are Active members.

The Board members at 31 March 2008 were: *Appointed by Invensys plc*

K A O'Donovan, Chairman
(appointed 19 February 2003 as Chairman, as a Director 30 June 1991)

A G Gajadharsingh
SVP Strategy & Planning, Invensys plc
(appointed 21 May 2003)

S C McDonnell
Head of Group Tax, Invensys plc
(appointed 9 March 2006)

E K Whitfield
VP Legal – Invensys Rail
(appointed 8 March 2007)

Nominated by the UKPCC

R G Walker
Engineer, Westinghouse Rail
Systems Ltd
(appointed 28 November 2002)

G R Gayfer
Engineer, Westinghouse Rail Systems
Ltd (appointed 6 March 2008)

Pensioner Directors

I R Fyfe, Deputy Chairman
formerly General Manager, BTR
Pensions (appointed 22 May 1996)

M J Barker
Pensioner Representative on the
UKPCC (appointed 4 February 2004)

A G Ferris
formerly Group Controller of
BTR Rail Group
(appointed 14 June 2007)

Committee membership

Investment Committee
K A O'Donovan (Chairman)
I R Fyfe
A G Ferris (appointed 6 December
2007)

Governance & Audit Committee

M J Barker (appointed Chairman
14 February 2008)
S C McDonnell (appointed
21 November 2007)
R G Walker
E K Whitfield

Company Liaison Standing Committee

K A O'Donovan (Chairman)
I R Fyfe
A G Ferris (appointed 6 March 2008)
N B Casson (General Manager and
Secretary to the Trustee)

Changes to Board in Scheme year

Other Directors who served during
the Scheme year were:

J Rae (appointed 16 March 2006;
resigned 14 June 2007)

K F Ireland (appointed 27 October
2005; resigned 31 December 2007)

The Board wishes to place on record
its thanks to the above for their
services to the Scheme.

*Find out more about your pension
scheme by visiting:*

www.invensyspensions.co.uk

Invensys Pensions
Higham House
New Bridge Street West
Newcastle upon Tyne
NE1 8AN

Phone: 0191 206 1035

Fax: 0191 206 1011

e-mail:

enquiries@invensyspensions.co.uk