

Trustee's Annual Report & Financial Statements 2005

Trustee Charter

The Trustee will:

- Act in accordance with the Scheme's governing documents and the law.
- Act in the best interests of the members at all times, taking into account the position of each class of member.
- Act prudently, honestly, with integrity and in good faith having taken appropriate professional advice.
- Seek to secure members' benefits by managing Scheme funds effectively.
- Communicate to all members regularly and in a clear and concise way.
- Deliver a high level of service to all members.

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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 correct balance can be achieved.

Chairman's statement

In the year to the 31 March 2005 the value of the assets in the Scheme has increased by 3% to £3.57bn. The deficit in the Scheme is estimated to have reduced to £200m (on an ongoing actuarial basis), representing 6% of the liabilities. The return on the Scheme's investment over the year was 7.8%; ahead of the Scheme benchmark index of 7.4%.

Your Scheme is a very mature one, with over 97% of the members already receiving pensions or having deferred pensions. This means there is only a small minority of members still contributing to the Scheme. The Company's decision to close the Scheme to new members from November 2004 (a decision common to many company final salary pension schemes) 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.

The Trustee has already developed an investment strategy that, when fully implemented, aims to ensure that a substantial part of the Scheme's liabilities will be largely matched by bonds. In addition, the strategy seeks to retain a smaller proportion of the Scheme's portfolio in diversified higher performing assets with a view to capturing a higher return while at the same time seeking to control risk.

The major part of this strategy was implemented during the year, and completed in April, when the proportion of the Scheme's assets invested in bonds was increased from 60% to 70% and the performance of the bond investment managers targeted against a liability benchmark. We continue to discuss with the Company the most appropriate way to invest the remaining 30% of the Fund, which is currently invested in the more volatile equity market. Our investment strategy considers that a 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 mitigate underperformance.

Whilst it is not usual for your Trustee to obtain formal agreement on investment strategy from the Company (as opposed to the requirement to consult), we now have no option, due to a provision in the Trust Deed introduced by the Company in 2003 which prevents your Trustee from reducing the level of equities held to below 30%. As our strategy would envisage a level below 30%, we are effectively required to have our investment strategy agreed by the Company.

As a consequence, 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 considering 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. 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. This is particularly important, as the Scheme Actuary has confirmed in his certificate shown on page 23.

As the Company is no longer pursuing the corporate disposal programme, its current contribution is insufficient to enable the Scheme to meet its liabilities in full. Accordingly, 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 directly as detailed on page 32 of this report.

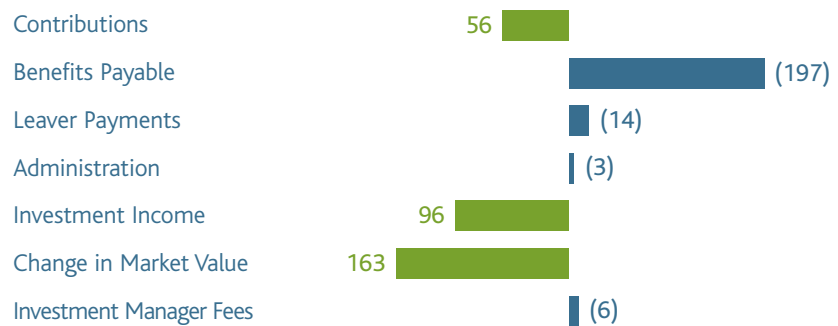


Kathleen O'Donovan
Chairman of the Trustee of the Invensys Pension Scheme

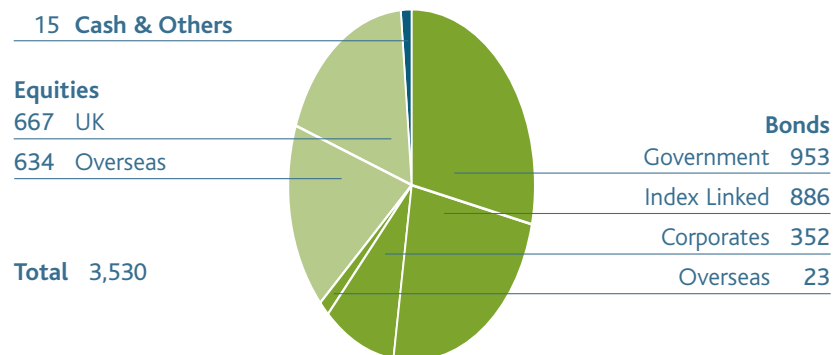
We have summarised below the key financial highlights of the Scheme for the year ended 31 March 2005. It is also important to look at how the Fund has performed over a number of years. This is illustrated on the opposite page.

Financial highlights

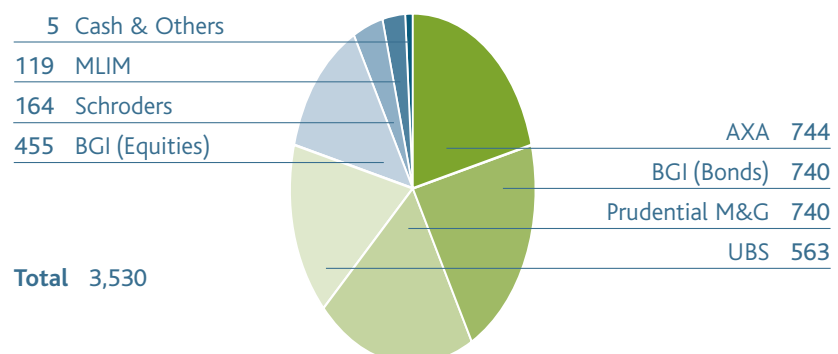
Income, expenditure by main category (£m)



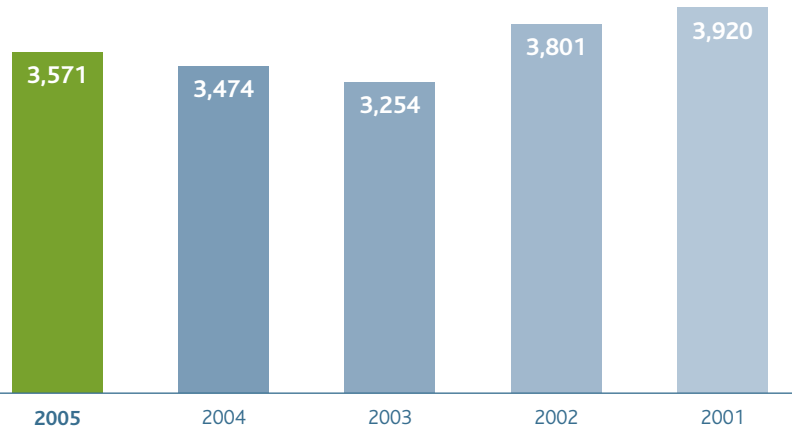
Distribution of investments by type (£m)



Distribution by investment manager (£m)

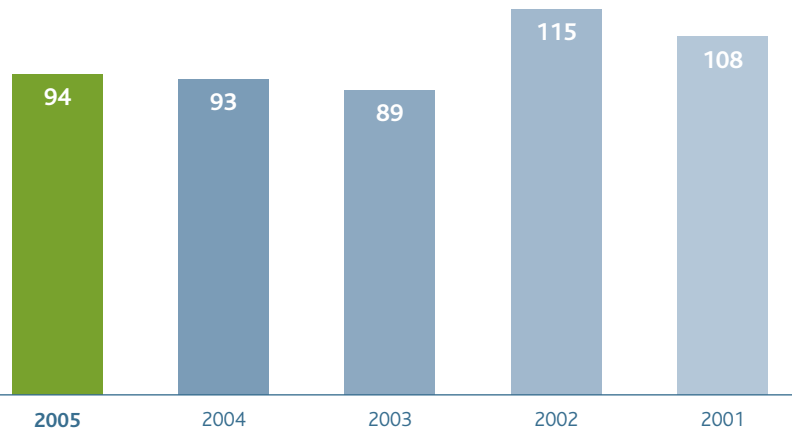


Value of pension fund (£m)



Scheme funding levels on an ongoing basis %

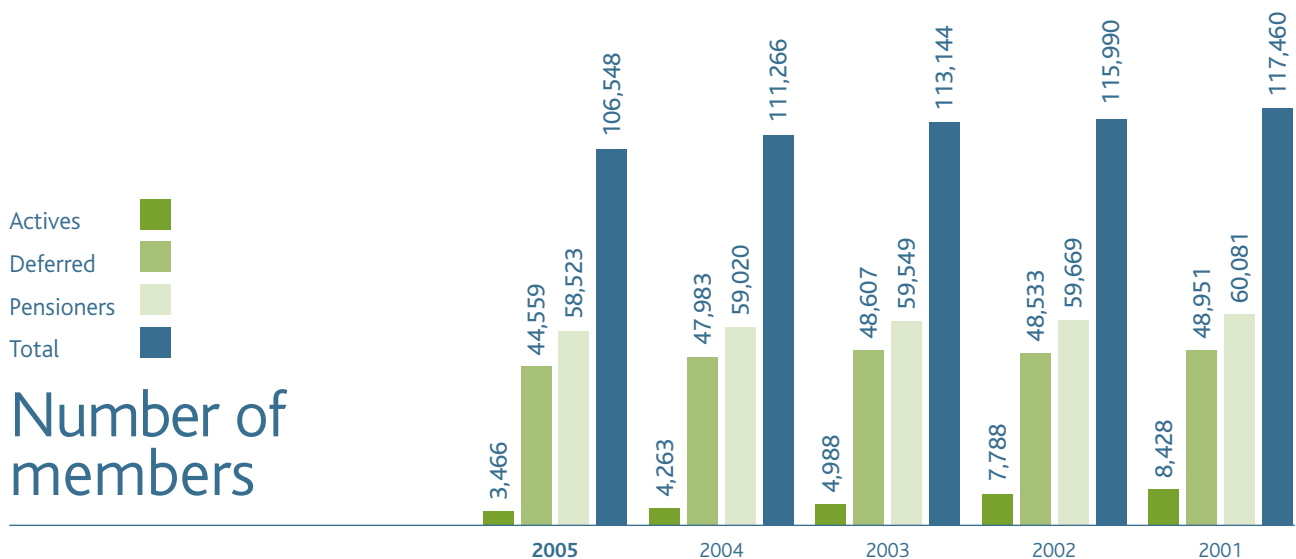
Ongoing basis is the actuarial basis of funding used in the 2003 Valuation



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)



In accordance with the Articles of Association of the Trustee Company, the Board consists of a maximum of eleven Directors. Five, including the Chairman, are appointed by the Company, four are nominated by the Invensys United Kingdom Pensions Consultative Committee ("UKPCC") and two, Scheme pensioners, are appointed by the other Directors. The appointing or nominating authority may also remove Directors from office. The Trustee may be removed by Invensys plc.

Trustee Board

The Board members at 28 July 2005 were:

Appointed by Invensys plc

K A O'Donovan, *Chairman*, age 47, (appointed 19 February 2003 as Chairman, as a Director 30 June 1991)

A G Gajadharsingh age 39, VP Strategic Projects, Invensys plc (appointed 21 May 2003)

G C J Campion age 46, VP Finance, Invensys Rail Business Group (appointed 30 June 2003)

P J Tompkins age 58, President, Eurotherm Business Group (appointed 21 May 2003)

P S Larson age 42, SVP Human Resources, Invensys plc (appointed 1 June 2005)

Nominated by UKPCC

V A G Legg age 62, Auto Setter, Invensys Controls UK (appointed 16 May 2002)

C P Parker age 58, HR Manager, Invensys Climate Controls Europe (appointed 14 September 2000)

R G Walker age 58, Engineer, Westinghouse Rail Systems Ltd (appointed 28 November 2002)

J Rae age 57, Cost Accountant, Eurotherm Ltd (appointed 16 March 2005)

Pensioner Directors

I R Fyfe age 69, formerly General Manager, BTR Pensions (appointed 22 May 1996)

M J Barker age 62, Pensioner Representative on the UKPCC (appointed 4 February 2004)

Committee membership

Investment Committee

K A O'Donovan

I R Fyfe

G C J Campion

W L Weighill (until 31 March 2005)

Governance & Audit Committee

A G Gajadharsingh

M J Barker

C P Parker

Changes to Board

Other Directors who served during the Scheme year were:

R M Hitchery (appointed 30 November 2000; resigned 31 December 2004)

W L Weighill (appointed 14 September 2000; resigned 31 March 2005)

J P B Reed (appointed 6 January 2005; resigned 31 May 2005)

Caroline Parker submitted her resignation from the Trustee Board on 1 August 2005 following completion of the sale of Invensys Climate Controls Europe as she will no longer be an active member of the Scheme. A replacement will be nominated at the next UKPCC meeting.

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

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Kathleen O'Donovan A member of the Trustee Board since 1991 and appointed Chairman 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.

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Anthony Gajadharsingh Anthony qualified in Business and Finance and a member of the Institute of Chartered Secretaries and Administrators (ACIS). With experience in the execution of large corporate transactions and the required management of lawyers and financial advisers, he led the sale of UKDCS to Invensys plc on behalf of its shareholders. After serving as Managing Director of IMServ, he is now VP Strategic Projects for Invensys plc.

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Geoff Campion Geoff has worked for Invensys since 1988 and is currently employed as VP Finance for the Invensys Rail Business Group, having previously been Finance Director at Westinghouse Rail Systems Ltd since 1992. He is a CIMA Chartered Management Accountant.

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Peter Tompkins 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 the year 2000. Prior to this global role, Peter spent 11 years managing business units in mainland Europe. He has also held UK positions in research and development, project, manufacturing, sales and general management.

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Paula Larson Paula is SVP Human Resources of Invensys plc. Paula was appointed to this role in April 2005. Prior to this role, she was 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.

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Vic Legg 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.

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Caroline Parker 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.

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Russell Walker 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. He has attended various pensions investment and financial training courses over this period.

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James Rae James is employed at Eurotherm as UK Cost Accountant. He has been with Invensys Eurotherm since 1979. He was a Trustee of the Eurotherm scheme for 12 years during which time 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 in April 2005. He is currently undertaking trustee induction training.

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Ian Fyfe 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.

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Martin Barker 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 schemes. He became a trustee in 1973 and remained in control of the schemes until they were merged with the BTR Scheme in 1993. He has also been involved over a number of years in various Group Consultative Committees, chairing a number of them. He is an Associate of The Pensions Management Institute.

Attendance at meetings The attendance at Board meetings of the Directors of the Trustee Company during the Scheme year, together with the number of meetings that each Director was eligible to attend, is shown as indicated by the following key:

- Number of meetings eligible to attend
- Number of meetings attended
- Number of training days attended

The Trustee receives advice from a number of sources. The appointed Scheme advisers are listed below.

Scheme advisers

Actuary

D O Cule, Punter Southall & Co Limited, Tempus Court, Onslow Street, Guildford GU1 4SS

Auditor

Ernst & Young LLP, Citygate, St James' Boulevard, Newcastle upon Tyne NE1 4JD

Legal advisers

Norton Rose, Kempson House, Camomile Street, London EC3A 7AN

Dickinson Dees Law Firm, St Ann's Wharf, 112 Quayside, Newcastle upon Tyne NE99 1SB

Investment adviser

PSolve, 126 Jermyn Street, London SW1Y 4UJ

Investment managers

UBS Global Asset Management, 21 Lombard Street, London EC3V 9AH

Schroder Investment Management Limited, 31 Gresham Street, London EC2V 7QA

Barclays Global Investors Limited, Murray House, 1 Royal Mint Court, London EC3N 4HH

Merrill Lynch Investment Managers, 33 King William Street, London EC4R 9AS

AXA Investment Managers UK Limited, 7 Newgate Street, London EC1A 7NX

Prudential M&G, Laurence Pountney Hill, London EC4R 0HH

During the year funds were invested with (until September 2004):

Deutsche Asset Management Limited, One Appold Street, London EC2A 2UU

Putnam Investments Limited, Cassini House, 57-59 St James's Street, London SW1A 1LD

Custodians

HSBC Bank plc, HSBC Securities Services, Mariner House, Pepys Street, London EC3N 4DA

PFPC Inc, Alternative Investments Group, 103 Bellevue Parkway, 1st Floor, Wilmington, Delaware 19809, USA

PFPC assumed custodianship of the Absolute Return Fund in July 2004 from Fortis Fund Services (Curaçao) NV.

The legal position is governed by the Trust Deed and Rules, copies of which are available to members. Legal reliance should be placed on the Trust Deed and Rules. This summary is applicable to members who joined the Scheme after 5 April 2000, members who joined before that date should refer to their Booklet and Announcements.

Summary of Scheme benefits

This is a brief outline of the Scheme. Full details are available from the Members' Booklet, available online at www.invensyspensions.co.uk.

Retirement

Normal Retirement Age is 65 for men and women. Early retirement is currently available from age 50 subject to a reduction in the pension entitlement. A tax-free cash lump sum is available on retirement.

Ill-health

Subject to medical evidence a pension may be payable from an earlier age in the case of serious health breakdown. The permission of the employer and the Trustee is necessary, and approval is given after receiving advice from the Scheme's Medical Adviser.

Death

While in employment a lump sum of four times Pensionable pay is payable. A dependant's pension and children's allowances may be payable on death either before or after retirement.

Leaving Service

A deferred pension is payable on retirement. With less than 2 years' service a refund of contributions is made. The value of deferred Scheme benefits is fully transferable to an approved pension scheme.

Cost

Members' contributions are 5% of Pensionable pay. Members are contracted out of the State Second Pension (S2P). The Company currently pays 20% of members' Pensionable pay.

State Benefit

Members retain their entitlement to the Basic (Old Age) State Pension.

Benefit Statements

A statement of current benefits is sent to active members annually. A statement for deferred members is available on request.

Pension Advice Notes

Pension advice notes are sent to pensioners at least once a year, and following any material change in their pension entitlement.

Members' Booklet

A copy of the Members' Booklet is available from Invensys Pensions, your local HR manager or online at www.invensyspensions.co.uk.

The Invensys Pension Scheme ("the Scheme") is a defined benefit occupational pension scheme that was established by a trust deed on 31 March 1988, consolidating the main BTR, Dunlop and Tilling Schemes then in operation. At that time the Scheme was named the BTR Group Pension Scheme. On 6 April 2000, the Scheme merged with the Siebe Pension Scheme and was renamed the Invensys Pension Scheme.

The sponsoring employer of the Scheme is Invensys plc ("the Company") whose address is Portland House, Stag Place, London SW1E 5BF.

Trustee's report

Trustee arrangements

Every pension scheme of this nature has trustees or a company whose directors act as trustees. The Trustee of the Scheme is Invensys Pension Trustee Limited and the Secretary is Invensys Secretaries Limited.

The Trustee, as a major part of its role, is responsible for the payment of benefits, safeguarding the assets of the Scheme and monitoring whether they are sufficient to meet its liabilities as they fall due. In the process of carrying out these responsibilities, it ensures that proper accounting records and controls are maintained by the scheme administrator, in accordance with Trust Law, and takes such steps as are reasonably open to it to prevent and detect fraud and other irregularities.

The Trustee is also responsible for the preparation of audited financial statements showing a true and fair view of the financial transactions of the Scheme during the Scheme year, and of the amount and disposition at the end of the year of the assets and liabilities, other than liabilities to pay future pensions and benefits after the end of the Scheme year.

The financial statements contain information specified in the Schedule to The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996. The Trustee has met its responsibilities in ensuring that contributions are made to the Scheme in accordance with Scheme Rules and, where appropriate, recommendations of the Scheme Actuary. During the year under review, the Trustee Board met four times.

Board structure

In accordance with the Articles of Association of the Trustee Company the Board consists of a maximum of eleven Directors. Five including the Chairman are appointed by the Company, four are nominated by the UKPCC and two are Scheme pensioners appointed by the other Directors. The appointing or nominating authority may also remove Directors from office, and the Trustee may be removed by the Company.

All decisions of the Trustee taken during the year under review arose from a consensus of opinion. However under the Articles of Association of the Trustee, decisions may be taken by a majority vote.

Committee structure

During the year the Trustee has established two committees in order to improve the efficiency of the management of the Scheme.

The Investment Committee comprises Directors whose role is to review the development and implementation of appropriate strategies for the investment of the Scheme's assets and to obtain advice and make recommendations to the Trustee in respect of its investment responsibilities.

The Governance & Audit Committee consists of Directors whose objective is to review the Scheme's management of risk through the use of effective decision making processes and the adoption of pensions industry "best practice" in order to recommend to the Board any action it should take in respect of the governance of the Scheme. The Governance & Audit Committee also reviews the annual financial audit and report of the Scheme's auditors.

These Committees make regular reports and proposals to the Trustee Board who authorise all actions taken.

Administration, advisers and investment management

The Trustee can be contacted through the Invensys Pension Scheme's administration office (Invensys Pensions) at the address on page 32. Details of the advisers and investment managers who worked with the Trustee during the year are also listed on page 6.

The General Manager of the Invensys Pension Scheme is Mr N B Casson and the Pensions Manager is Mr M D Leggett, who are employed by the Trustee and can be contacted at Invensys Pensions.

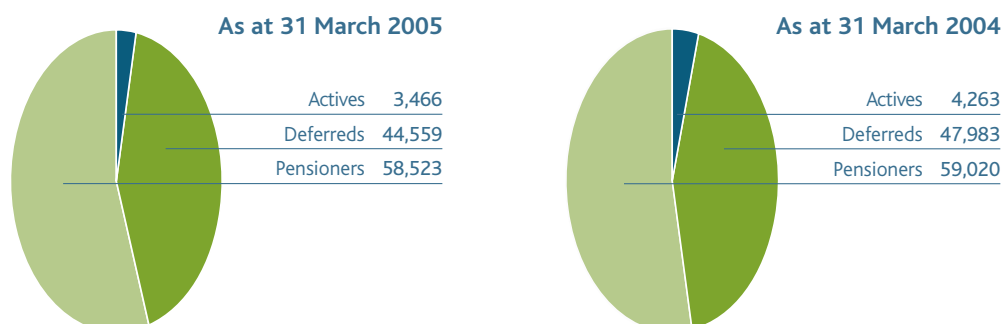
The year in brief

On 31 March 2005 the value of the Scheme's assets was £3,571m (2004: £3,474m). The investment return on the assets was 7.8% (2004: 13.1%) against a benchmark of Scheme-specific performance indices that measured 7.4% (2004: 12.4%). Further details are provided in the Investment Report on pages 13 to 15.

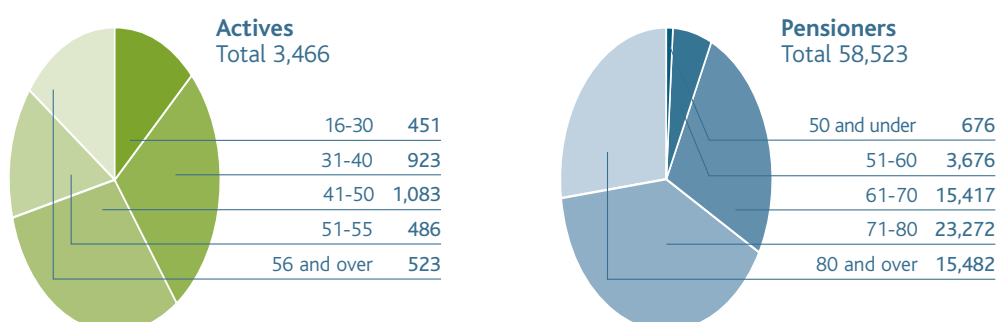
The Scheme was closed to new members on 1 November 2004. The Company now offers new employees membership of a contract based stakeholder pension scheme.

Membership analysis

The Scheme's membership structure



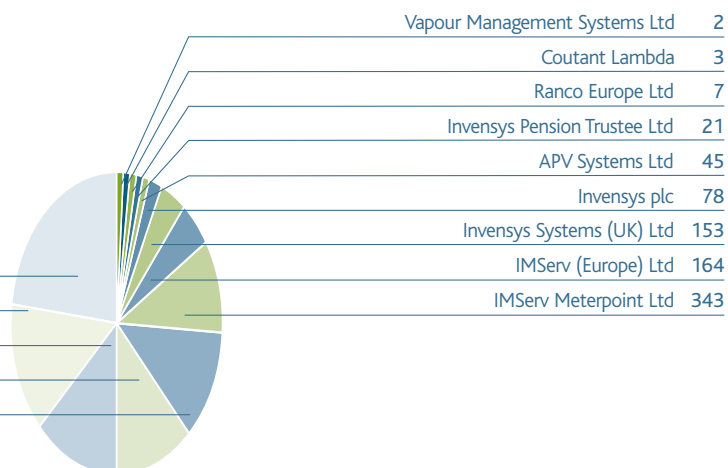
Age profiles as at 31 March 2005



Active members by operating company as at 31 March 2005

Total 3,466

818	Westinghouse Brake & Signal Holdings Ltd
511	APV UK Ltd
464	Satchwell Control Systems Ltd
437	Eurotherm Ltd
420	Invensys Controls UK Ltd



Changes in membership during the year

	Actives	Deferred	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

Trustee's report continued

Actuarial and funding position

The Scheme Actuary, who is independent, assesses the funding position of the Scheme, the balance between assets and liabilities, every three years. Having considered the results of these 31 March 2003 calculations the Trustee and the Company agreed to a funding plan they consider appropriate for the Scheme. Under this funding plan, the Scheme valuation as at 31 March 2003 showed a deficit of £415m – equivalent to 11% of long-term liabilities. This compares to the valuation as at 5 April 2000 that showed a surplus of 15% reduced to 8% after provision for improvements to members' benefits and continuation of the temporary suspension of Company contributions. The change in the three years was mainly due to the fall in equity values but also to the adoption of stronger mortality assumptions. These effects were partially offset by the use of a discount rate to value liabilities which was slightly greater than that adopted for the last valuation, reflecting the funding plan agreed with the Company that includes the expectation that the Scheme's assets should provide higher returns than before. The Scheme Actuary reviews the estimated funding position of the Scheme on a monthly basis reflecting changing market conditions. These reviews have shown an improvement in the funding position that is estimated to have moved the deficit to 6% as at 31 March 2005. The latest assessment of the Fund shows that it is not in deficit under the Minimum Funding Requirement legislation.

In light of the valuation results and reflecting the improvements during calendar year 2003, the Company agreed to restart normal contributions to the Fund starting in October 2003 in addition to continuing the special £2.5m pa contributions in each of 2004 and 2005 relating to agreed redundancy augmentations. In order to reduce the Scheme's funding deficit, the Company has also indicated its intention that special contributions of £15m each would be made to the Scheme at half-year intervals from October 2003. To date all contributions have been received in line with the agreement. It was also agreed that there would be an additional lump sum of up to £150m based on the proceeds of the sale of UK businesses. In February 2004 the Company announced a major refinancing, and as a consequence ended its disposal programme, meaning there would be no lump sum contributions from this source.

The Scheme Actuary confirmed that contributions described above (including the special contributions following business sales), in conjunction with an appropriate investment strategy, should have enabled the funding plan deficit to be removed in the long term. Due to the cessation of the disposal programme and the consequent loss of the expected lump sum contributions, this is no longer the case. Company contributions will, however, be reviewed following the next actuarial valuation, due as at 31 March 2006.

In June 2003 the Company executed a Deed of Amendment to the Trust Deed; a further Amendment was executed on the 31 January 2005. The main purpose of these amendments was to subject the investment range of the Trustee to certain limitations. The principal limitation ensures that equities must form at least 30% of the total assets.

Since the January 2005 amendments the Trustee, following legal advice, has challenged the right of the Company to place restrictions on the investment power of the Trustee in this way. It is likely that the Trustee will ask the Court for direction in this matter during the course of 2005.

The Scheme Actuary's statement is reproduced on page 23 of this report.

Pension increases and transfer values

Under the Scheme rules pensions in payment (except for the Guaranteed Minimum Pension (GMP) portion) are increased annually for members who joined the Scheme before 6 April 2000 by the percentage change in the Retail Prices Index (RPI) over a 12 month period measured to the end of December in each year. The increase will generally be a minimum of 3% and a maximum of 5%. This guaranteed increase has in the past been augmented by a series of discretionary bonuses paid between 1988 and 2001 (subject to Scheme and Inland Revenue limits). These bonuses have been:

1988	10%	1995	4-50% depending on retirement date (average 8%)
1990	5-20% depending on retirement date (average 16%)	1998	4%
1992	5%	2001	3%

Over the period since 1988, guaranteed and discretionary increases awarded together have comfortably exceeded inflation and the position of longer-retired pensioners has been additionally enhanced.

GMPs are increased in accordance with Pension Increase Orders by HM Government that are based on RPI movements between September and September. These increases apply solely to pensioners who have reached State Pension Age.

The percentage change in RPI to the year 31 December 2004 was 3.5% resulting in payment in pensions being generally increased by 3.5% on the 1 April 2005. GMPs in payment and related to the period 6 April 1988 to 5 April 1997 were increased by 3.0% on the same date.

Transfer values are calculated in accordance with the provision of the Pension Schemes Act 1993 on a basis agreed between the Trustee and the Actuary. The amount available for transfer is the cash equivalent of a member's benefits excluding those that may be payable at the discretion of the Trustee or the Company.

The National Fraud Initiative

The Trustee along with other organisations has taken part in the Audit Commission's National Fraud Initiative 2004. This initiative checks the data the Scheme holds against registered deaths. This is 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 and the Audit Commission will process the data for this purpose only.

The Trustee has a duty to provide benefits only in accordance with the provisions of the Scheme Rules. This review under the National Fraud Initiative is being dealt with sensitively to ensure any genuine misunderstandings by relatives of the deceased pensioners are satisfactorily resolved. However a few cases have been identified which appear to be incidences of potential fraud and therefore have been referred to the authorities for further investigation.

The Trustee's policy on fraudulent cases is that after reviewing the information and data supplied about individual cases it appears to Invensys Pensions staff that a pension may have been fraudulently claimed or information provided to Invensys Pensions has been given in a fraudulent manner, then it is the policy of the Trustee that all relevant papers should be passed to the Police to consider whether there is a case for prosecution. Invensys Pensions will give every possible support to the Police in establishing and, if necessary, prosecuting any fraud that has occurred.

Consultation and nomination of Directors

The Company has, for many years, maintained a highly successful communication process whereby it consults with active Scheme members on a number of pension issues. Each participating employer in the Scheme (with a few exceptions) has allocated to it one or more Members' Representatives who join with the Company and Pensioner Representatives to form the UKPCC which meets at regular intervals. At each meeting Scheme managers update members on current Scheme issues including funding and investment performance.

A very important role of the UKPCC is to nominate four of its Members' Representatives to become Directors of the Trustee. This arrangement for meeting the "member-nominated trustee" legislation continues until 31 January 2007. The Trustee retains power under the Pensions Act 1995 to seek re-endorsement of this arrangement by the membership at any time if it feels that subsequent events have rendered it no longer appropriate.

United Kingdom Pensions Consultative Committee

The UKPCC at 28 July 2005 was:

Steve Jones *Chairman* Head of Executive Programmes (Invensys plc)

Member Representatives

Colin Bate	Invensys Climate Controls Europe Ltd	Terry Pickford	APV Baker Ltd
Mike Belt	APV Systems Ltd	James Rae	Eurotherm Ltd
Steve Chapman	Westinghouse Rail Systems Ltd	Fred Saunders	IMServ Europe Ltd
Richard Everitt	Westinghouse Rail Systems Ltd	Paul Simpson	IMServ Europe Ltd
Keith Ireland	APV Systems Ltd	Colin Townsend	Invensys Systems (UK) Ltd
Vic Legg	Invensys Controls UK Ltd	Russell Walker	Westinghouse Rail Systems Ltd
Lynda Manning	IMServ Europe Ltd	Trevor Walton	Invensys plc
Douglas O'Keeffe	Invensys Controls UK Ltd	David Wright	Eurotherm Ltd
Caroline Parker	Invensys Climate Controls Europe Ltd		

Company Representatives

Nicola Crisp	Westinghouse Rail Systems Ltd	Nick Tripp	APV Systems Ltd
Stuart Fair	APV Baker Ltd	Peter Wyld	Eurotherm Ltd
Lorraine Hosking	Invensys Controls UK Ltd		

Pensioner Representative

Martin Barker

Trustee training, knowledge & understanding

The Pensions Act 2004 has placed a duty on the Trustee and its Board of Directors to undertake training to ensure they have knowledge and understanding of their duties and responsibilities. A draft Code of Guidance has been issued by The Pension Regulator and will be formalised later this year. The Trustee has every intention of complying with the guidance procedures and has already placed great emphasis on the training of Board Directors. The Trustee has a formal policy on training and during the year each Director undertook an average of two days' training using external courses and in-house collective Board training.

Disputes and complaints procedure

Invensys Pensions operates an Internal Dispute Resolution procedure in accordance with the provisions of the Pensions Act 1995. Before a formal complaint is considered members are advised to contact the Scheme management to see if the matter can be resolved informally.

During the course of the Scheme year under review no formal complaints were received by Invensys Pensions on behalf of the Trustee. Details of the procedure are available from Invensys Pensions whose address is given on page 32.

Bulk transfers-out

As a result of sales of businesses of Invensys plc, there are potential future bulk transfers amounting in aggregate to approximately £41m. The value of these transfers of assets is calculated in accordance with the Scheme Rules.

Trustee attendance

During the year ended 31 March 2005 the Board held four regular meetings on a quarterly basis. At all meetings there was a minimum of nine of the eleven Directors present and over the whole year the Board achieved a 95% attendance record.

Remuneration policy

The Board's policy on remuneration for Directors is that payment should be received for undertaking the role and responsibility as a Director of the Trustee company either directly from the Company or as a payment from the Trustee company.

During the year ended 31 March 2005 the following payments were made:

- 1 Chairman – receives an annual salary.
- 2 Pensioner Directors – receive a per diem rate.
- 3 Company Nominated Directors – are remunerated by the Company.
- 4 Member Nominated Directors – are remunerated by the Company. In certain circumstances, ex-gratia payments have been made by the Company to recognise the extra time involved in undertaking their roles and responsibilities as Trustee Directors.

Government pension reforms

In 2004 the Government enacted a Pensions Act and a Finance Act that will have a significant impact on the control and management of pension schemes. Key elements of these Acts are:

Trustee's report continued

Pensions Act 2004

- **Pensions Regulator** Replaces the Occupational Pensions Regulatory Authority (OPRA) to operate a targeted proportional regime, applying greater regulatory scrutiny where it deems members' benefits are at risk. This approach will be supported by increased powers to gather, retain and share information.
- **Codes of Practice** Provided by The Pension Regulator as practical guidance on compliance with pensions legislation.
- **Trustee Knowledge & Understanding** Legislation requires that the trustee directors are familiar with the issues or have relevant knowledge across the full range of their responsibilities.
- **Statutory Funding Objective** Every scheme will need to ensure it will have sufficient and appropriate assets to cover its technical provisions. A Statement of Funding Principles will be provided by trustees, setting out their policy to meet the Statutory Funding objectives.
- **Pension Protection Fund** Set up to provide increased compensation should the employer become insolvent when the scheme is underfunded.

Finance Act 2004

- **Tax Simplification** Existing tax regulations regarding pensions will be greatly changed by the Finance Act 2004. Most of these changes come into effect on 6 April 2006.

Company position The Company is presently considering the effect of these changes on the Scheme and will be discussing with the Trustee and employee groups any proposals during the current year.

Trustee position The Trustee will work with the Company to finalise any proposals for change, which will be communicated to members as soon as possible.

Myners Principles

The recommended principles that were published in a report following the Myners Review in 2001 and subsequently endorsed by the Government have been followed by the Trustee. The Trustee is satisfied that its methods agree substantially with most of the Myners Review.

- **Treasury update and response** HM Treasury issued a consultation document in December 2004 that set out the results of the Government's review of the extent to which the Myners Principles have been effective in bringing about behavioural change in relation to trustees' decision making. The document invited responses.

The Trustee responded to the Treasury on certain issues that it thought were impractical in the consultation document. Specifically the Trustee suggested that trustee boards are adjusting rapidly and effectively to deal with the enormous changes in the pensions environment and believed that trustees are very aware of their fundamental duty to members. We trust that the Treasury will give due consideration to these views and those of other funds in its formalisation of any further requirements of trustees.

Socially Responsible Investment

Since July 2000, all pension funds have to express a view in their Statement of Investment Principles on how – if at all – they consider social, environmental and ethical matters in their investment strategies.

This area is sometimes referred to as "ethical investing". It requires the Scheme to reveal how it assesses investments in, say, tobacco or arms companies; cosmetic and drug manufacturers that use animal testing; companies that pollute the environment; and those that have operations in countries with a poor human rights record.

In considering these issues the Trustee has to remind itself that its primary objective and, indeed, legal obligation is to ensure that the Scheme's assets are invested so that benefits due to each member can be paid as they arise. By specifically excluding any of the potential investments mentioned above, the Scheme may miss out on some of the better performing assets in the economy, with obvious consequences for the value and growth of the Fund.

Having given due consideration to these matters, the Trustee has concluded that responsibility for day-to-day stock selection must rest with the Scheme's investment managers. In turn, the investment managers must take social, ethical and environmental issues into account where they feel they will make a difference to fund performance. They must report their actions to the Trustee who will monitor the decisions taken on a regular basis.

Voting Policy

In addition, pension schemes are also required to state their policy on the use of the voting rights that are available to them as significant holders of company shares. This is referred to as "corporate governance".

Having considered this issue, the Trustee has again concluded that the day-to-day responsibility for this should be delegated to the Scheme's investment managers since they have contact with the companies concerned and can vote in order to get best performance from the shares held. They must report their actions to the Trustee who will monitor the decisions taken on a regular basis.

For and on behalf of Invensys Pension Trustee Limited

Signed:



Chairman

Date: 25 August 2005

The Scheme's current investment objectives are to improve the Scheme's funding position by achieving superior investment returns, whilst managing the investment risk to ensure the funding position does not deteriorate. Therefore the Trustee does not wish to aim for maximum returns but rather to optimise returns subject to an acceptable level of risk.

Investment report

Statement of Investment Principles

The Scheme's strategy and objectives, together with full details of the investment process, are set out in the Statement of Investment Principles (v.5.3). This document is updated regularly and the latest version was agreed in July 2005. A copy is available to members from Invensys Pensions.

Economic background and market review

Equity markets continued to rise steadily over the year to March 2005, reflecting the markets' greater confidence that economic growth will continue. UK equities outperformed most major overseas countries, including the US, which suffered partly as a result of weakness of the dollar. Both fixed interest and index-linked gilt yields stayed relatively stable over the year, giving rise to positive returns. Inflation expectations remained around 3%.

Investment strategy

The current investment strategy of the Scheme is limited by the Deed of Amendment enacted by the Company in June 2003 and updated in January 2005.

The Scheme now has a maximum 70% of its assets invested in bonds and managed by three investment managers against a liability led cash flow benchmark. The remainder is invested in equities and an absolute return fund.

Investment structure & managers

Investment policy

The investment policy of the Scheme is 70% bonds, 30% equities including an absolute return fund. This reflects the Scheme's mature nature and the Trustee's desire to reduce investment risk within the asset portfolio subject to retaining sufficient out-performance potential to meet the funding objectives of the Scheme.

Discussions between the Trustee and the Company continue with regard to investment strategy and the structure of the Scheme's asset portfolio. There was a further Deed of Amendment in January 2005 that incorporated the allocation to absolute return funds as part of the minimum 30% allocation to equities.

The Trustee's investment policy towards investment in the Company is unchanged in that fund managers who invest in UK equities are allowed discretion subject to certain broad limits. At 31 March 2005, the Fund's holding of the Company shares amounted to less than 0.1% of the Fund and less than 0.5% of the issued capital of the Company, which complies with the restrictions set out in Section 40 of the Pensions Act 1995.

Significant portfolio changes

A major reorganisation of the bond assets of the Fund took place in October 2004. These assets (which, at that time, comprised around 65% of the Fund) were transferred to three specialist managers who manage against a Scheme specific bond based liability benchmark calculated by the Investment Adviser. This change reflects the Trustee's focus on delivering out performance against the actual liabilities of the Scheme rather than a standard market benchmark.

In April 2005, following the introduction of the January 2005 Deed of Amendment, a further change was made. £200m of equities was sold and the proceeds invested with the three specialist bond managers. This brought the proportion of bonds up to 70% and further reduced the investment risk within the Scheme.

Investment report continued

Investment manager mandates

The mandates agreed with the investment managers (save for BGI UK equity and global equity which are managed on a passive basis) set outperformance targets over rolling three year periods as follows:

UK equities	FTSE All-Share Total Return Index plus 2% pa
Global equities	MSCI World (inc. UK) Index plus 3% pa
Absolute Return Fund	Cash plus 4% pa
Cashflow Matching bonds	Scheme specific liability benchmark plus 0.25% pa
Immunitation bonds	Scheme specific liability benchmark plus 0.75% pa

The Scheme specific liability benchmark is calculated by the Investment Adviser, using prevailing bond yields, and the change in value of the projected future cashflows of the Scheme provided by the Scheme Actuary.

Investment manager performance

The investments are managed, under the guidance of the Trustee, by independent investment managers. The market values held by each as at 31 March 2005 are shown in the table following:

Manager	Fund Managers' holdings at 31 March 2005		Investment return % 12 months to 31 March 2005	
	% of Total	£m	Actual %	Benchmark %
Cashflow Matching Fund				
AXA	15	531	n/a	n/a
BGI	15	529	n/a	n/a
M&G Prudential	15	523	n/a	n/a
Cashflow Matching Fund	45	1,583		
Immunitation Fund				
AXA	6	213	n/a	n/a
BGI	6	211	n/a	n/a
M&G Prudential	6	217	n/a	n/a
Immunitation Fund	18	641		
Higher Performance Element				
BGI (UK equity)	5	175	n/a	n/a
Schroder (UK equity)	5	164	16.4	15.6
UBS (UK equity)	7	251	16.3	15.6
BGI (Global equity)	8	280	n/a	n/a
UBS (Global equity)	9	312	10.1	8.0
Merrill Lynch (Absolute Return)	3	119	7.0	4.9
Illiquid Fund/others	0	5	n/a	n/a
Grand Total	100	3,530	7.8	7.4

Investment manager commentary

The Scheme's investment managers again outperformed their benchmarks, but by less than the previous year. The active UK equity managers both outperformed by slightly less than 1%. Their target is to outperform the benchmark by 2% pa over rolling three year periods.

The active global equity manager outperformed by 2%, but has a higher outperformance target of 3% pa.

The new bond managers had a good first six months; in aggregate they outperformed their targets (which were 0.25% pa and 0.75% pa above the Scheme specific liability benchmark) by 0.2%.

The Absolute Return Fund manager outperformed its benchmark by 2.1%, but has an outperformance target of 4% pa. This was mainly due to difficult market conditions for absolute return funds over the year.

The overall result is that the Fund gained 7.8% compared to a benchmark of 7.4% in the year. Since 1 January 2002 the return has been 3.6% pa compared to a benchmark of 3.4% pa.

Custody arrangements

The law of trust and the Pensions Act 1995 impose a fiduciary duty on the Trustee to safeguard the assets of the Scheme. Since 2002 the Trustee has appointed a Global custodian (HSBC) to hold the Scheme's assets that make up the various portfolios managed by the investment managers. In the case of the Absolute Return Fund this work is undertaken by a separate custodian based in the United States.

The custodians are responsible for the safekeeping of assets and administration and ensuring that assets are only released with appropriate authorisation and that the investments are segregated from those of other investors.

The administrative functions include the settlement of transactions, the collection of income arising from the investments, recovery of any tax paid that is not due and the reporting of and accounting for the Scheme's investments.

The Trustee together with its investment adviser reviews the effectiveness of the custody arrangements on a continuous basis. The custodians are required to publish a report on its internal controls that has been audited by a third party auditor in accordance with agreed standards.

Largest investments

The ten largest holdings of individual equities in the Fund at 31 March 2005 were:

	£000	% of Fund
Vodafone Group	38,133	1.1
BP	26,537	0.8
GlaxoSmithKline	25,244	0.7
Royal Bank of Scotland	22,849	0.6
Shell Transport & Trading	21,994	0.6
HSBC Holdings	21,001	0.6
Prudential	14,439	0.4
Barclays	13,174	0.4
HBOS	12,980	0.4
BT Group	12,807	0.4

The above table excludes investments in pooled funds where a manager manages the Scheme's investments by offering units of their fund that are intended to track the indices specified.

The Scheme invests in the BGI Aquila Life UK Equity Index Fund in both the UK and Global portfolios. Together these investments represent 5.7% of the Scheme's net assets.

An analysis of investments is shown in the Notes to the Scheme's Financial Statements on pages 24 to 31. The aggregate amounts of sales and purchases of investments during the year are also shown in those notes.

Additional voluntary contributions (AVCs)

AVCs provide an opportunity for members to increase their retirement benefits. They are a tax efficient way of providing extra benefit as the individual's contributions attract tax relief at the member's highest rate of taxation and the fund builds up in a favourable tax environment.

AVCs are invested separately from other Scheme assets to ensure there are individual funds for each member that are clearly identifiable. Members currently have the choice of investing in:

- Friends Provident
- Prudential AVC Cash Fund.

Members who have joined the Scheme following amalgamation with other schemes have continued to invest with the AVC provider of the original scheme.

At the end of the year there were 580 active members with an AVC account (2004: 692) of which 244 are still contributing (2004: 264). There were also 1,886 deferred members with AVC accounts (2004: 2,145). Details of the value of a member's AVC fund are provided annually on individual statements.

A number of members have funds invested with the Equitable Life Assurance Society. We wrote to these members recently to remind them of their options with regard to this investment in the light of the current financial position of Equitable Life.

The Trustee reviews the providers of AVC benefits on a regular basis following a report from its investment adviser. In December 2004 the cash AVC fund was transferred from the Woolwich to the Prudential following advice received by the Trustee. A review of the Friends Provident AVC funds is currently taking place.

The Trustee is committed to ensuring the Scheme's objectives are met by managing risk effectively using effective decision making processes and by adopting pension industry "best practice" where this is appropriate for the Scheme.

Scheme governance

The Trustee has set up a Governance & Audit Committee with the following key duties and responsibilities:

- 1 To identify risks to the Scheme.
- 2 To review the management of these risks and to propose improvements.
- 3 To document and audit Scheme decision making processes and practice.
- 4 To review the performance of the Trustee, its committees, the Scheme's administrators and its advisers in meeting the Scheme's governance standards.
- 5 To obtain advice and to make recommendations to the Trustee in relation to Scheme governance.
- 6 To review and approve work undertaken by the Scheme's auditors.

Trustee policies

The Trustee is in the process of formalising the Scheme's policies in relation to such items as Trustee training, the appointment and review of professional advisers, the delegation of authorities and action regarding fraud. The Trustee will continue its process of formalising its procedures during the coming year.

The management of Scheme risk

The Trustee has overall responsibility for internal control and risk management. It is committed to identifying, evaluating and managing risk and to implementing and maintaining control procedures to reduce significant risks to an acceptable level.

This is undertaken by the use of a "Risk Register" that identifies and prioritises risk and then formulates mitigating action to reduce the overall Scheme risk. This register is reviewed quarterly by the Governance & Audit Committee.

The objective of the Trustee's risk policy is to limit the exposure of the Scheme's assets for which it is responsible and to safeguard the Scheme against financial, operational, compliance and other risks.

Audit function and processes

A financial audit is performed annually by the Scheme's auditors (Ernst & Young LLP) who report initially to the Governance & Audit Committee and where appropriate to the full Trustee Board on any issues that arise from this audit. An internal audit of the Scheme's administrative control processes and procedures will be conducted during the current Scheme year by an external body.

The Scheme is fully approved by the Board of Inland Revenue as an exempt approved scheme and the Trustee knows of no reason why such approval should be prejudiced or withdrawn.

Compliance statements

Changes to Scheme Rules

Deeds of Amendment

During the year there were two Deeds of Amendment made to the Scheme Trust Deed and Rules:

- 1 A Deed dated 19 January 2005 amended the provisions relating to group transfers out of the Fund and clarified the identity of the current participating employers.
- 2 A Deed dated 31 January 2005 changed the restrictions on the investments of the Scheme that had been laid out in the 2003 Deed of Amendment.

The Trustee has indicated to the Company that the current Deed as amended contains restrictions that impact on the diversity of the investment portfolio and do not allow the Trustee to implement the investment strategy that has been discussed and agreed by the Company. Clarification regarding the status of these constraints means that it is likely that the Trustee will ask the Court for direction in this matter.

Update to Scheme Rules

The Trustee has been working with its legal advisers to revise the Trust Deed and Rules of the Scheme and to bring the Deed up to date in accordance with recent changes in pension law and regulations. This process is expected to be completed shortly and after discussions with the Company the revised Deed and Rules are expected to be approved by the Trustee during the course of the current year.

Adviser changes

During the current Scheme year there were no changes to the Scheme's advisers although certain investment managers were terminated and appointed. These are outlined on page 6.

Contributions

The Trustee collects contributions from employers who participate in the Scheme. A number of employers operate from several distinct locations with their own independent payroll and differing payment patterns. The Trustee has agreed administrative arrangements with the Company whereby contributions due are collected by a direct debit system in time to meet the due dates of payment as set down in the Scheme's Schedule of Contributions. This system was implemented during the Scheme year.

During the year no reports had to be made to the Occupational Pensions Regulatory Authority (OPRA) in respect of late payments of contributions.

Following the year end audit and on the advice of the auditor the Trustee has decided to make a report to The Pensions Regulator regarding a number of contribution payments from various participating companies where errors were made in the calculation of the contributions and the correction of these errors meant that the full payment was received late. There are a total of ten instances of this, all of which are immaterial in terms of overall contributions and have been corrected when identified.

The audited accounts are the responsibility of the Trustee Board. They have been prepared and audited in accordance with regulations made under Section 41(1) and (6) of the Pensions Act 1995.

Trustee responsibilities

Pension scheme regulations require the Trustee to make audited financial statements for each Scheme year available to Scheme members, beneficiaries and certain other parties. These financial statements must:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of that year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme 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 as to whether the financial statements have been prepared in accordance with the Statement of Recommended Practice "Financial Reports of Pension Schemes".

The Trustee has supervised the preparation of the financial statements that have been delegated to Invensys Pensions. The accounts comply with applicable United Kingdom law and accounting policies. The Trustee has agreed suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis.

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 to the Scheme by or on behalf of the employer and the active members of the Scheme and the dates on or before which contributions are to be paid. The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for procuring that contributions are made to the Scheme in accordance with the schedule of contributions.

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

Independent Auditors' report to the Trustee of Invensys Pension Scheme

We have audited the Scheme's financial statements for the year ended 31 March 2005, which comprise the fund account, the net assets statement and the related notes 1 to 14. These financial statements have been prepared on the basis of the accounting policies set out therein.

Auditor's report

This report is made solely to the Trustee, as a body, in accordance with regulation 3 (c) of The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Trustee those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trustee as a body, for our audit work, for this report, or the opinions we have formed.

Respective responsibilities of Trustee and Auditor

As described in the Statement of Trustee's Responsibilities, the Scheme's Trustee is responsible for obtaining audited financial statements which comply with applicable United Kingdom law and accounting standards and for making available certain other information about the Scheme in the form of an Annual Report.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

We report to you our opinion as to whether the financial statements show a true and fair view and contain the information required by the relevant legislation. We also report to you if, in our opinion, the Trustee's report is not consistent with the financial statements or if we have not received all the information and explanations that we require for our audit.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies within the financial statements.


Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 financial statements. It also includes an assessment of the significant estimates and judgements made by or on behalf of the Trustee in the preparation of the financial statements and of whether the accounting policies are appropriate to the Scheme's circumstances, consistently applied and adequately disclosed.

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 financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements show a true and fair view of the financial transactions of the Scheme during the Scheme year ended 31 March 2005, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year, and contain the information specified in Regulation 3 of and 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.



Ernst & Young LLP
Registered Auditor
Newcastle upon Tyne

Date: 25 August 2005

Independent Auditors' Statement about Contributions, under Regulation 4 of The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, to the Trustee of Invensys Pension Scheme.

Statement about contributions

This statement is made solely to the Trustee, as a body, in accordance with Regulation 4 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995. Our work has been undertaken so that we might state to the Trustee those matters we are required to state to it in an auditors' statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trustee as a body, for our work, for this statement, or the opinion we have formed.

Respective responsibilities of Trustee and Auditor

As described in the Statement of Trustee's Responsibilities, the Scheme's Trustee is responsible, for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates and due dates of certain contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme. The Trustee has a general responsibility for procuring that contributions are made to the Scheme in accordance with the Schedule of Contributions.

Our responsibility is to provide a statement about contributions paid under the Schedule of Contributions and to report our opinion to you.

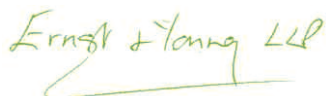
Basis of statement about contribution

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to give reasonable assurance that contributions payable, as reported in the attached Summary of Contributions, have been paid in accordance with the relevant requirements. For this purpose the work that we carried out included examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the Schedule of Contributions. Our statement about contributions is required to refer to those breaches of the Schedule of Contributions which come to our attention in the course of our work.

Qualified statement about contributions

As explained in the summary of contributions, there were several instances of late payments and errors in deductions during the year.

Except for the late payments and errors in deductions as detailed on page 21, in our opinion the contributions payable to the Scheme during the year ended 31 March 2005, as reported in the attached Summary of Contributions, have been paid in accordance with the Schedule of Contributions certified by the Scheme Actuary on 4 February 2004.



Ernst & Young LLP
Registered Auditor
Newcastle upon Tyne

Date: 25 August 2005

Summary of contributions

During the year ended 31 March 2005 the contributions payable to the Scheme under the Schedule of Contributions were as follows:

	£000
Employer normal contributions	18,894
Employer special contributions	2,500
Employee normal contributions	4,730
Total contributions under Schedule of Contributions	26,124
Other contributions	
Employer special contributions	30,000
Employee additional voluntary contributions	303
Total contributions per note 3 of the financial statements	56,427

The Employer's contribution holiday ended in October 2003 when the Company resumed regular monthly contributions at the rate of 20% of members' Pensionable pay.

Special Employer's Contributions relate to specific lump sum amounts to be paid in accordance with the Schedule of Contributions and additional funding arrangements proposed by the Company.

Qualified statement on contributions

The Schedule of Contributions requires contributions to be paid to the Trustee by the Participating Employer by the 19th of the month following deduction. In order to assist the Invensys companies to meet their due dates the Trustee has implemented a change in the collection process to limit the risk of future payments by the Invensys companies being received late.

During the year there were small instances of incorrect calculations of contributions which have resulted in late payments to the Scheme. The amounts quantified to date total £306,504 which when identified have been paid over to the Scheme.

For and on behalf of Invensys Pension Trustee Limited

Signed:



Chairman

Date: 25 August 2005

Actuarial certificate given for the purposes of Section 58 of the Pensions Act 1995 (certification of schedule of contributions).

Actuarial certificate

Name of Scheme: Invensys Pension Scheme

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 dated 4 February 2004 are adequate for the purpose of securing that throughout the period it covers the scheme will meet the minimum 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 sections 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 (GN27), prepared and published by the Institute of Actuaries and the Faculty of Actuaries, and have made the assumptions prescribed by them.

Signature



4 February 2004

David Cule
Fellow of the Institute of Actuaries
Punter Southall & Co Limited
Tempus Court, Onslow Street, Guildford GU1 4SS

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.

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

Name of Scheme: Invensys Pension Scheme
Effective date of valuation: 31 March 2003

This statement has been revised in accordance with Regulation 30(7).

Actuarial statement

1 Security of prospective rights

In my opinion, the resources of the Scheme, including the contributions described below, are not likely in the normal course of events to meet in full the liabilities of the Scheme as they fall due.

I have revised this statement in light of the Employer refinancing the business and therefore not proceeding with the proposed business sales described in the valuation report. The Employer has not provided alternative funding proposals that are of similar value to those made in 2004, and therefore the ongoing valuation of the Scheme does not confirm that the funding plan is appropriate.

In giving this opinion, I have assumed that the following amounts will be paid to the Scheme:

Description of Contributions

Members (excluding AVCs) 5.0% of Pensionable Salaries per annum or such other rates as have been notified to members, payable monthly in arrears.

Employers (including expense allowance and cost of insured benefits) 20.0% of Pensionable Salaries per annum or such other rates as are specified in Deeds of Temporary Participation or Sale Schedules relating to the disposal of businesses or companies by Invensys plc completed prior to 1 October 2003, payable monthly in arrears.

PLUS an additional contribution of £15m each six months until the completion of the next formal actuarial valuation due as at 31 March 2006.

These additional payments are subject to the Scheme still being in deficiency at the date the payment falls due, and subject to review at future actuarial valuations.

PLUS an additional contribution of £2.5m was paid by the 1 August 2005.

2 Summary of methods and assumptions used

Method Projected Unit

Assumptions as at 31 March 2003

Interest - pre-retirement	5.75% per annum	Mortality - pensioners	PA92C2005
Interest - post-retirement	5.75% per annum	Mortality - actives/deferreds	
Salary inflation	3.75% per annum plus promotional scale	Post retirement	PA92C2015
Price inflation	2.5% per annum	Pre retirement	A92
Pension increases		Asset valuation	Market value
Pre 6 April 2000 joiners	3.15% per annum		
Post 6 April 2000 joiners	2.5% per annum		

This statement has been made on the basis that the Scheme continues on an ongoing basis with contributions from the Employer and members at the agreed rates. It does not cover the ability of the Employer to meet these contributions, nor does it cover the position should the Scheme discontinue for any reason.

The position will be reviewed at the next actuarial valuation after 31 March 2003, due as at 31 March 2006. If, over the period from this valuation date to the next, the valuation assumptions, particularly those related to investment returns, were not exceeded, then higher contributions would be required following the next valuation.

Further details of the methods and assumptions used are set out in my actuarial valuation report addressed to the Trustee dated 16 December 2003.

Signature



16 August 2005

David Cule
Fellow of the Institute of Actuaries
Punter Southall & Co Limited
Tempus Court, Onslow Street, Guildford GU1 4SS

Fund account

for the year ended 31 March 2005

	NOTES	2005 £000	2004 £000
Contributions and benefits			
Contributions receivable	3	56,427	34,083
Members' transfers-in	4	1,616	5,112
		58,043	39,195
Benefits payable			
Benefits payable	5	(196,997)	(194,094)
Payments to and on account of leavers	6	(13,681)	(33,666)
Administrative expenses	7	(3,160)	(3,345)
		(213,838)	(231,105)
Net withdrawals from dealings with members		(155,795)	(191,910)
Returns on investments			
Investment income	8	96,205	125,861
Change in market value of investments		163,287	290,918
Investment management expenses	12	(5,970)	(5,790)
Net returns on investments		253,522	410,989
Net increase in the fund during the year		97,727	219,079
Fund at beginning of year		3,473,749	3,254,670
Fund at end of year		3,571,476	3,473,749

Net assets statement

as at 31 March 2005

	NOTES	31 March 2005 £000	31 March 2004 £000
Investments	10		
Fixed interest securities		1,328,172	1,155,667
Equities		840,162	1,183,704
Index-linked securities		886,462	925,917
Managed and unitised funds		460,734	16,289
Cash deposits		19,076	141,834
Additional voluntary contributions & transfer-in investments	11	11,287	12,231
Other		(4,257)	2,432
		3,541,636	3,438,074
Fixed assets	14	79	5
Current assets and liabilities	9	29,761	35,670
Fund at end of year		3,571,476	3,473,749

These financial statements were approved by the Trustee on 25 August 2005.

Signed on behalf of Invensys Pension Trustee Limited:

KA O'Donovan



IR Fyfe



Directors

Notes to the financial statements

1 Basis of preparation

The financial statements 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) issued in November 2002.

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits that fall due after the end of the Scheme year. The actuarial position of the Scheme, which does take account of such obligations, is dealt with in the statements by the Scheme Actuary on pages 22 to 23 of the annual report and these statements should be read in conjunction therewith.

2 Accounting policies

The principal accounting policies adopted by the Scheme are as follows:

a Investment income

Investment income is accounted for on an accruals basis. Foreign currency income is translated to sterling at the exchange rates ruling at the dates of transactions. Realised capital gains and losses are calculated by deducting the average cost of purchase from sale proceeds.

b Investment manager fees

Investment manager fees are accounted for on an accruals basis and are mostly charged as a percentage of the portfolio valuation.

c Valuation of investments

Investments are included in these financial statements at mid-market value and foreign securities are translated to sterling at the exchange rate ruling at the year end. The market value of unitised investments is taken as the average of the bid and offer price of units. Unquoted securities are included at market value on the advice of the investment managers.

d Transfers

Provision is made in the financial statements in respect of transfers payable or receivable if consent was given by 31 March 2005.

e Taxation

The Scheme is approved by the Inland Revenue as an exempt approved scheme. The Scheme's income and chargeable gains are free of UK Income and Capital Gains tax (save for Advance Corporation Tax post-2 July 1997) and tax recoverable on the Scheme's income is treated as part of that income.

f Contributions receivable

Employer's and members' contributions are accounted for on an accruals basis at rates agreed between the Trustee and the Company based on the recommendations of the actuary. Members' additional voluntary contributions are accounted for on an accruals basis.

g Fixed assets

With effect from the 1 April 2004 the Scheme became responsible for the purchase and control of all fixed assets. Prior to this date assets used by the Scheme were purchased by the Company and a charge was made for their use. The Scheme has revised its fixed assets and depreciation procedure in line with this change.

3 Contributions receivable

	2005 £000	2004 £000
Employers - special	32,500	17,500
- normal	18,894	10,711
Members - normal	4,730	5,540
- AVCs	303	332
	56,427	34,083

The Company's contribution holiday ended in October 2003 when the Company resumed regular monthly contributions at the rate of 20% of members' Pensionable pay.

The Schedule of Contributions requires contributions to be paid to the Trustee by the Participating Employer by the 19th of the month following deduction.

In order to assist the Invensys companies to meet their due dates the Trustee has implemented a change in the collection process to limit the risk of future payments by the Invensys companies being received late.

Special Employer's Contributions relate to specific lump sum amounts to be paid in accordance with the Schedule of Contributions and additional funding arrangements proposed by the Company.

4 Members' transfers-in

	2005 £000	2004 £000
Group transfers-in from other schemes	1,612	5,109
Individual transfers-in from other schemes	4	3
	1,616	5,112

The Trustee suspended the acceptance of individual transfers-in in 2001; the figures shown above for individual transfers-in represent additional payments for transfers already accepted.

5 Benefits payable

	2005 £000	2004 £000
Pensions	182,896	177,895
Lump sums payable on retirement	11,779	13,852
Capital sums payable on death	2,322	2,347
	196,997	194,094

6 Payments to and on account of leavers

	2005 £000	2004 £000
Group transfers to other schemes	4,554	23,600
Individual transfers to other schemes	7,624	7,746
AVC scheme withdrawals	1,090	1,554
State premiums for leavers	238	444
Contribution refunds	175	322
	13,681	33,666

Notes to the financial statements continued

7 Administrative expenses

	2005 £000	2004 £000
Administration and data processing	2,040	1,625
Actuarial fees	670	1,237
Auditor's fees - audit fees	57	51
- non-audit fees	22	29
Legal and other professional fees	348	384
Directors' fees	23	19
	3,160	3,345

8 Investment income

	2005 £000	2004 £000
Income from fixed interest securities	49,818	64,790
Dividends from equities	27,703	34,483
Income from index-linked securities	15,236	21,758
Income from managed or unitised funds	236	481
Net income from properties	—	106
Interest on cash deposits	3,170	4,193
Other	42	50
	96,205	125,861

9 Current assets and liabilities

	2005 £000	2004 £000
Bulk transfers receivable	—	1,692
Accrued interest and dividends	27,725	30,143
Contributions received in advance - employee	—	(137)
- employer	(15,000)	(15,158)
Employer contributions due	1,948	1,597
Other debtors	354	508
Cash and deposits	23,230	30,606
State premiums payable	(467)	(1,108)
Bulk transfers payable	(1,779)	(5,726)
Lump sum benefits payable	(949)	(2,916)
Other creditors	(5,301)	(3,831)
	29,761	35,670

10 Investments

	As at 31/03/04 £000	Purchases £000	Sales £000	Change in market value £000	As at 31/03/05 £000
Equities	1,183,704	438,207	(857,163)	75,414	840,162
Fixed interest	1,155,667	4,119,030	(3,965,427)	18,902	1,328,172
Index-linked	925,917	2,523,673	(2,610,032)	46,904	886,462
Managed funds	16,289	822,675	(410,031)	31,801	460,734
Other	2,432	—	—	(6,689)	(4,257)
AVCs	12,231	5,014	(6,452)	494	11,287
	3,296,240	7,908,599	(7,849,105)	166,826	3,522,560
Cash deposits	141,834				19,076
	3,438,074				3,541,636

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

	2005 £000	2004 £000
Fixed interest securities		
UK public sector quoted	953,190	696,331
Overseas public sector	22,718	55,791
Corporate bonds	352,264	403,545
	1,328,172	1,155,667
Equities		
UK quoted	453,502	590,932
Overseas quoted	268,073	481,943
	721,575	1,072,875
Merrill Lynch Absolute Return Fund	118,587	110,829
	840,162	1,183,704
Index-linked securities		
UK	863,751	925,917
Overseas	22,711	—
	886,462	925,917
Managed and unitised funds		
Managed funds	845	1,896
Unitised trusts	459,889	14,393
	460,734	16,289
Cash deposits		
Sterling	29,560	130,851
Foreign currency	(10,484)	10,983
	19,076	141,834
Other		
Amounts receivable in respect of investments sold	32,558	26,758
Amounts payable in respect of investments purchased	(36,815)	(24,326)
	(4,257)	2,432
Total	3,530,349	3,425,843

Notes to the financial statements continued

11 Additional voluntary contributions (AVCs)

The Trustee offers contributing members the opportunity of paying AVCs to either Prudential or to one of a number of arrangements with Friends Provident.

In January 2005 the Trustee changed the provider of its cash deposit AVC from Woolwich and Nationwide to Prudential. This change followed advice received by the Trustee from its investment advisers and all members with AVC investments with these companies were advised of the change.

Some members continue to save AVCs under other arrangements that existed in other schemes prior to scheme mergers. These other arrangements are closed to new entrants.

All members receive an annual statement confirming the amounts held to their account and the movements in the year.

The number of contributing and deferred members participating and the aggregate amounts of members' AVC and transfer-in funds were as follows:

Members participating	Prudential deposit	Woolwich plc	Equitable Life	Other	Total
31 March 2004	Nil	1,421	926	490	2,837
31 March 2005	1,216	Nil	826	424	2,466

Funds	Prudential £000	Woolwich plc £000	Equitable Life £000	Other £000	Total £000
Members' funds at 31 March 2004	Nil	5,237	4,590	2,404	12,231
Woolwich transfers to Prudential	4,659	(4,588)	Nil	(71)	Nil
Contributions/transfers-in	45	102	12	195	354
Interest and bonuses	45	166	73	210	494
Withdrawals/transfers-out	(136)	(917)	(456)	(283)	(1,792)
Members' funds at 31 March 2005	4,613	Nil	4,219	2,455	11,287

The Woolwich transfers to Prudential line includes Nationwide transfers to Prudential. Funds transferred by members from one AVC provider to another are included in "transfers-in" and "transfers-out".

12 Investment management fees

	2005 £000	2004 £000
Administration, management and custody	5,938	5,768
Performance measurement services	32	22
	5,970	5,790

13 Related party transactions

Two Trustee Directors are in receipt of a pension from the Scheme and another is a deferred pensioner. These three Directors are in receipt of remuneration from the Trustee. All Directors claim reimbursement of related expenses.

At the date of this report, a further six Trustee Directors were Members of the Scheme. All benefits are calculated in accordance with the Scheme Rules.

The administration of benefits is the responsibility of Invensys Pensions. The operating costs of Invensys Pensions are shown in note 7.

14 Fixed assets

Cost	Office equipment £000	Computer hardware £000	Computer software £000	Motor software £000	Total £000
As at 1 April 2004	—	—	—	19	19
Additions	3	89	25	—	117
Disposals	—	—	—	—	—
As at 31 March 2005	3	89	25	19	136
Depreciation					
As at 1 April 2004	—	—	—	14	14
Provided during the year	1	30	8	4	43
Disposals	—	—	—	—	—
As at 31 March 2005	1	30	8	18	57
Net Book Value					
As at 31 March 2005	2	59	17	1	79
As at 1 April 2004	—	—	—	5	5

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

Members' information

Scheme administration

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

Phone: 0191 206 1035

Fax: 0191 206 1011

e-mail: enquiries@invensyspensions.co.uk

Members who require further information about the Scheme or their own pension position should write to Invensys Pensions at the above address.

Financial Calendar

Date	Event
31 March 2005	End of Scheme Financial Year
August 2005	Issue of Scheme Report and Accounts
October 2005	Issue of Autumn 2005 Pension News
March 2006	Issue of Spring 2006 Pension News

Website links

The links below have been chosen to provide you with a wealth of information on pensions. Invensys Pensions is not responsible for the content or reliability of linked websites. Linking should not be taken as an endorsement of any kind. Please note that we cannot guarantee that these links will work all of the time and we have no control over the availability of the linked pages.

Association of British Insurers www.abi.org.uk

Association of Consulting Actuaries www.aca.org.uk

Department for Work and Pensions www.dwp.gov.uk

Financial Services Authority www.fsa.gov.uk

Faculty and Institute of Actuaries www.actuaries.org.uk

Inland Revenue www.inlandrevenue.gov.uk

Invensys plc www.invensys.com

The Occupational Pensions Advisory Service www.opas.org.uk

Pensions Policy Institute www.pensionspolicyinstitute.org.uk

The Pensions Management Institute www.pensions-pmi.org.uk

The Pensions Ombudsman www.pensions-ombudsman.org.uk

Pension Protection Fund www.pensionprotectionfund.org.uk

Good Practice in Workplace Pension Provision www.pensionsatwork.org.uk

The Pensions Regulator www.thepensionsregulator.gov.uk

Glossary

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

Accrued benefits These are benefits that have built up for service up to a certain date and are calculated in relation to pensionable earnings.

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

Actuarial assumptions The actuaries' view of the future trends that will affect the scheme's assets and liabilities.

Actuarial certificate This is required to be given by the actuary in certain circumstances, e.g. if there is a surplus or if there is a bulk transfer.

Actuarial statement The Disclosure of Information Regulations 1996 (SI 1996/1655) require the scheme actuary to include this in the annual report of a defined benefit scheme. It must include the amounts necessary to be paid into the scheme in order to protect the security of members' rights and must state the actuarial method and assumptions used.

Actuary An actuary advises on financial questions involving probabilities relating to mortality and other contingencies. In relation to pension schemes, an actuary is a professional adviser who must be appointed by trustees under the Pensions Act 1995. The actuary assists the trustees (or managers) of a scheme on funding issues and conducts a regular actuarial valuation. Actuaries must be members of the Institute of Actuaries and Faculty of Actuaries.

Additional voluntary contributions (AVCs) Members can make AVCs to their occupational scheme. This enables them to have top-up benefits. Members cannot pay more than 15% of their earnings by way of contributions to an occupational scheme including their AVCs.

Basic state pension This is the state pension which is paid to all those who have met the minimum National Insurance contribution requirements and is not related to earnings, unlike the state second pension.

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

Closed fund This is a scheme which does not admit new members or receive contributions although benefits are still paid to existing members.

Contracted out/contracted in A pension scheme is contracted out where it provides benefits in place of the state second pension in exchange for paying lower National Insurance Contributions and has been given a contracting out certificate or appropriate scheme certificate by the Inland Revenue.

Contributions The regular amounts paid into a scheme by a member and the regular and lump sum payments made by an employer to the scheme.

Corporate governance Corporate governance is the increasingly important principle that shareholders should take more than just a simple financial interest in their shareholdings. The rise of the institutional shareholder, especially the pension fund shareholder, has meant that the balance of power between shareholder and management has swung in favour of shareholders. Corporate governance principles are now often expressed in customer agreements, so that investment managers are required to consider shareholders' votes (called "proxy votes") when they can.

Deed of amendment A legal document that amends the trust deed and rules.

Deficit The amount by which the value of future liabilities is greater than the value of the assets of the scheme.

Early leaver (deferred member) This is a person who ceases to be an active member of a pension scheme, but does not receive their pension immediately.

Equity markets Stockmarkets throughout the world where you are able to buy and sell companies' stocks and shares.

FRS17 Financial Reporting Standard 17, which sets down the way in which pensions must be reported in company accounts. It requires the scheme assets and liabilities to be valued on a "fair value" basis and the resulting surplus (or deficit) to be recognised as an asset (or liability) in the balance sheet of the reporting company. The components in the change in the net asset or liability over time are disclosed in its profit and loss account, with the exception of actuarial gains and losses, which are recognised in the statement of total recognised gains and losses. FRS17 requires extensive disclosures in the notes to the company's accounts. FRS17 becomes fully effective for accounting periods beginning on or after 1 January 2005.

Fully funded The point when the value of the scheme's assets meet its future liabilities.

Fully funded scheme A scheme that has a 100% funding level.

Funding level The funding level is the value of the schemes' assets expressed as a percentage of the scheme's liabilities.

Governance The management and control of a scheme.

Liability matched benchmark A rate of return expected from the assets that will match the change in the scheme's liabilities.

Mortality The expected average time over which a pension will have to be paid.

Myners review The Myners review investigated the investment practice of pension schemes. The report, which was published on 6 March 2001, raised several concerns for pension schemes including the redefinition of the prudent man rule to raise it to a higher level, to change standard benchmarks, to review the measurement of investment performance and whether soft commissions should be permitted in the future.

Pension Protection Fund A fund set up under the Pensions Act 2004 that will provide pension payments at a reduced rate, for pension schemes of insolvent companies.

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". So far as scheme rules or an employer's policy is concerned, it can include or exclude bonuses, commission and other "fluctuating emoluments". However, Inland Revenue rules also apply, and insist that final remuneration can only be determined on the basis of the amount earned in a particular year, regardless of the fact that it may actually be received and assessed to tax in a subsequent year, i.e. calculated on an "earned" rather than a "paid" basis.

Schedule of contributions 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 Actuary This is the named actuary appointed by the trustees or managers of an occupational pension scheme under Section 47 of the Pensions Act 1995.

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

SERPS/Additional state pensions This is the State Earnings Related Pension, an extra state pension that employed people could earn, up to 5 April 2002, by paying extra National Insurance contributions once their earnings reached the lower earnings limit. Earners could choose to contract out of SERPS by joining an appropriate occupational or personal pension scheme, which provides alternative and equivalent benefits. SERPS was replaced by the state second pension from 6 April 2002.

State second pension (S2P) Also known as S2P, the state second pension is the additional state pension, which replaced SERPS. There are two main differences with SERPS. First, all earners below the low earnings limit will have pension credits as though they were earning up to the low earnings limit. Secondly, it is a flat rate, rather than an earnings related scheme.

Surplus The amount by which the value of the scheme's assets is greater than its future liabilities.

Valuation An exercise undertaken to assess the scheme's assets and to determine its ability to meet its future liabilities.

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

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

Phone: 0191 206 1035
Fax: 0191 206 1011
e-mail: enquiries@invensypensions.co.uk