

Invensys Pension Scheme

Trustee's
Annual
Report &
Financial
Statements

2007

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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.**

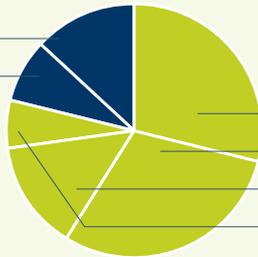
The year in summary

as at 31 March 2007

Distribution of assets by type (£m)

(total £3,774m)

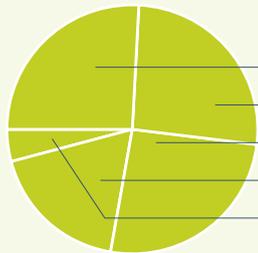
UK Equities	311
Overseas Equities	514
Cash & Others	(201)



Government Bonds	1,162
Index Linked Bonds	1,199
Corporate Bonds	539
Overseas Bonds	250

Distribution of assets by investment manager (£m)

(total £3,774m)



AXA	981
BGI Bonds	978
Prudential M&G	976
UBS	699
BlackRock	140

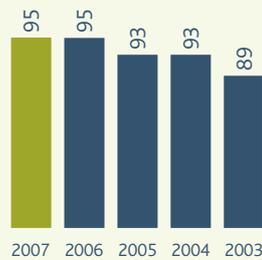
Value of pension fund (£m)



Value of Scheme liabilities (£m)



Scheme funding levels on an ongoing basis (%)



Based on the actuarial assumptions used for funding the Scheme

Investment returns (%)

	2007	2006	2005	2004	2003
Actual return	0.4	14.0	7.8	13.1	(9.2)
Benchmark return	1.0	14.2	7.4	12.4	(9.0)

Chairman's review



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

The Actuary has been able to report to your Board that the funding position of the Scheme continues to improve

This year's Report & Accounts to 31 March 2007 reflects an improved financial and actuarial position. The work the Trustee has done over the past four years, together with the improved financial situation of the Company, has led to a more secure pension scheme and has provided a better outlook for the future.

Following the negotiations with the Company which I reported on last year, the Scheme has made a number of alterations to its investment strategy. Those, together with the improved financial conditions generally, mean the Actuary has been able to report to your Board that the funding position of the Scheme continues to improve. The Actuary undertakes an annual review for the Board which, whilst not being as detailed as the Triennial Valuation, provides the Board and the Company with a reasonable estimate of the funding position at 31 March each year (on the basis of the same key assumptions being maintained in line with the 2005 Triennial). The report presented to the Board in June this year showed that the funding deficit has reduced to £209 million which means that we estimate that 95% of the future liabilities of the Scheme are now funded on an ongoing actuarial basis. Whilst this is not yet a fully funded Scheme we have agreed a funding plan with the Company and instigated changes to investment strategy that aim to afford us the best chance of reaching that position over the next eight years.

In addition I am pleased to report that the Company has had its credit rating improved following a further set of good financial results for the year to 31 March 2007. For the last two years we have had the financial covenant of the Company independently verified and this improving credit position gives further comfort to your Board of the ongoing viability of the Company and its ability to support the Scheme in line with the funding plan agreed last year.

In the light of these comments you may be surprised to see a small investment return of only 0.4% for the year, which was less than the targeted amount. As I have discussed in earlier statements this is a highly mature Fund – which means that there is very little contribution funding - so the Scheme has to pay its promised benefits from its asset values or from exceptional funding from the Company. The value of our liabilities at £4.0 billion still far exceeds the market value of the Company and therefore preservation of our asset value is critical to us. This reduces the risks we can take with our investment strategy compared to certain other company pension schemes. As a consequence we now have 80% of our assets invested in the bond market. These assets are relatively low-return performers but have the advantage that they are more correlated to the valuation of our liabilities, so, in general, when bond markets reduce the value of our liabilities reduces as well and therefore the deficit is generally not materially affected. This year bond market values fell but this fall was broadly matched by the estimated reduction in the Scheme's liabilities.

However, it is clear that the performance of our investment managers in the Immunisation (corporate bonds) and Higher Performance (equities) funds has not been in line with their targets through 2006/07. This was monitored and discussed at the Investment Committee and Board meetings. Much work has been done, involving the Committee, external consultants and the Company, on a revised

investment strategy for the Higher Performance Fund that seeks to invest funds in higher return asset classes whilst reducing some element of the downside risk through diversification and ameliorating the volatility of the asset performance versus the movement in our liabilities (whilst always taking account of the relative strength of the Company covenant).

Our IPS newsletters have dealt with these issues in detail over the last 18 months and can be viewed on our website. In summary we have taken action from December 2006 to July 2007 (and continuing through to September 2007) to:

- Increase the benchmark to 50 years (from 30 years) to better match the liability profile
- Diversify our Higher Performance Fund away from a pure equity fund to one covering a variety of higher return asset classes
- Change the target performance to be a measure of Absolute Return rather than relative/index return. This means managers will be rewarded for a consistent positive return rather than going up and down with the market. Let us not forget in these heady days of equity market rises, that in 2002/03 equities dropped 25% whilst liabilities increased
- Enable the use of relatively ordinary derivative instruments to hedge the possibility of substantial underperformance.

All these actions are intended to continue to secure the asset value and get a modest outperformance in order to eliminate the deficit. They will inevitably mean that as we are taking less risk we will forego the excesses of the market on the upside and the downside.

Regarding the bond portfolios held in our Cashflow Matching and Immunisation Funds, it is now three years since initial set up and we will review these investments during the final part of this year with a particular focus on our Immunisation Fund strategy.

You will have seen in the Spring newsletter the proposals we agreed with the Company regarding the constitution of the Board and the selection of the Member Nominated Directors. The Governance & Audit Committee has worked throughout the first half of this year to arrange the election of new Member Nominated Directors and the new Board will be in place for the September meeting. We believe this new Board structure will be more reflective of the current membership constitution and will provide all members with the opportunity to be involved with and communicate with the Board whenever necessary. There have also been a number of changes to the Company representatives and I want to take this opportunity to thank all past and present Directors for the effort and support they have put into managing your Scheme.

You will also be aware that from 1 April 2007 we were asked by the Company to introduce a new Defined Contribution Section. Around 200 active members have chosen to join this Section for their future service. We are pleased that the Company took account of the Trustee and the members' views when designing this Section and has been able to provide members with a viable scheme at affordable levels of contributions. The Trustee remains responsible for this Section in the same way as it has managed the Defined Benefit arrangements of the Invensys Pension Scheme in the past, the major difference being that the individual is now responsible for their own investment choices.

2007/08 will see the commencement of work towards the next full Triennial Valuation and we will then discuss with the Company the status of the funding rate and a revised Funding Plan for the coming years. As ever the Trustee will aim to ensure the ongoing security of the Scheme for all members into the future.



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

Trustee Board



TOP ROW, LEFT TO RIGHT
 KATHLEEN O'DONOVAN,
 ANTHONY GAJADHARSINGH,
 STEVE McDONNELL

MIDDLE ROW, LEFT TO RIGHT
 ELEANOR WHITFIELD, KEITH IRELAND,
 RUSSELL WALKER

BOTTOM ROW, LEFT TO RIGHT
 JAMES RAE, IAN FYFE, MARTIN BARKER

Kathleen O'Donovan A member of the 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.

Anthony Gajadharsingh Qualified in Business and Finance and a member of the Institute of Chartered Secretaries and Administrators. With experience in the execution of large corporate transactions and the required management of lawyers and financial 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 Strategy & Planning for Invensys plc.

Steve McDonnell Steve is Head of Group Tax for Invensys plc. He was appointed to this role in October 2005 after joining the Company in January 2005. Prior to that he was in similar roles with Tibbett & Britten Group plc, Thorn Lighting and Laporte plc. Steve is a Chartered Accountant and a member of the Chartered Institute of Taxation.

Eleanor Whitfield Eleanor has been with the executive team of the Invensys Rail Group since 1999 where she is VP Legal and Group General Counsel. Eleanor qualified as a solicitor in 1989 and has since been involved in a variety of

international corporate and commercial projects with experience both in private practice and with National Power plc. Eleanor was appointed to the Board in March 2007.

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

Russell Walker Russell has been an engineer with Westinghouse Rail Systems since 1973 and has worked in various engineering roles throughout the business. 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, and holds the PMI Trustee Certificate.

James Rae James is employed at Eurotherm as UK Cost Accountant. He has been with Eurotherm since 1979. He was a Trustee of the Eurotherm Pension Scheme for 12 years during which he attended

various pensions courses, until it was merged with the Invensys Pension 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.

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 then he has served as a Director of the Trustee Company.

Martin Barker Martin retired from Westinghouse Brake and Signal Holdings in 2001 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 Group Pension Scheme in 1993. He has also been involved over a number of years in various Group Consultative Committees, and chairing a number of them. He is an Associate of The Pensions Management Institute.

The Trustee and the Company have reviewed changes to the Board structure to reflect the new requirements of the 2004 Pensions Act and the changing membership profile of the Scheme. Changes have been made to the Board structure and the selection process for Member Nominated Directors (MNDs). In future the Board will be made up of nine Directors, four Company Nominated Directors and five MNDs. Of the five MNDs three will be Pensioner members and the remaining two will be Active members. The Company will nominate its representatives as before and will be responsible for appointing the Chairman from the total Board. The MNDs will be selected following a nomination process by their respective groups as detailed on page 10.

The Board members at 31 March 2007 were:

Appointed by Invensys plc

K A O'Donovan, Chairman, age 50, (appointed 19 February 2003 as Chairman, as a Director 30 June 1991)

A G Gajadharsingh age 41, VP Strategy & Planning, Invensys plc (appointed 21 May 2003)

P J Tompkins age 60, Business Group President, Eurotherm Ltd (appointed 21 May 2003; retired 31 March 2007)

S C McDonnell age 44, Head of Group Tax, Invensys plc (appointed 9 March 2006)

E K Whitfield age 42, VP Legal – Invensys Rail (appointed 8 March 2007)

Nominated by UKPCC

K F Ireland age 53, Sales Support Manager, APV UK (appointed 27 October 2005)

R G Walker age 60, Engineer, Westinghouse Rail Systems Ltd (appointed 28 November 2002)

J Rae age 59, Cost Accountant, Eurotherm Ltd (appointed 16 March 2005)

Pensioner Directors

I R Fyfe, Deputy Chairman, age 71, formerly General Manager, BTR Pensions (appointed 22 May 1996)

M J Barker age 64, Pensioner Representative on the UKPCC (appointed 4 February 2004)

Committee membership

Investment Committee

K A O'Donovan
I R Fyfe
G C J Campion (to 8 March 2007)

Governance & Audit Committee

A G Gajadharsingh
M J Barker
R G Walker
E K Whitfield (appointed 21 March 2007)

Company Liaison Standing Committee

K A O'Donovan
I R Fyfe
N B Casson (General Manager and Secretary to the Trustee)

Changes to Board in Scheme year

Other Directors who served during the Scheme year were:

G J C Campion (appointed 30 June 2003; resigned 8 March 2007)

D A O'Keeffe (appointed 15 December 2005; resigned 10 March 2007)

Since the end of the Scheme year further changes have occurred:

P J Tompkins (appointed 21 May 2003; resigned 31 March 2007)

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

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

Scheme advisers

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

Scheme actuary

S M Leake, Punter Southall Limited (appointed 15 June 2006)
Tempus Court, Onslow Street, Guildford GU1 4SS

D O Cule, Punter Southall Limited (resigned 14 June 2006)
Tempus Court, Onslow Street, Guildford GU1 4SS

Scheme auditor

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

Legal advisers

Norton Rose 3 More London Riverside, London, SE1 2AQ

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

Investment adviser

P-Solve Asset Solutions 126 Jermyn Street, London SW1Y 4UJ

Investment managers

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

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

BlackRock Investment Management (UK) Ltd (formerly 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

Schroder Investment Management Limited 31 Gresham Street, London EC2V 7PA
(until August 2006)

Custodians

ABN AMRO Mellon Global Security Services BV, Mellon Financial Centre,
160 Queen Victoria Street, London EC4V 4LA (from 1 September 2006)

HSBC Securities Services EMEA 8 Canada Square, London E14 5HQ
(until 31 August 2006)

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

Bankers

LloydsTSB Bank plc 10 Gresham Street, London EC2V 7AE

Trustee's report

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 Third Definitive Trust Deed and Rules were adopted on 28 March 2006. A Defined Contribution Section was introduced from 1 April 2007.

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

Trustee arrangements

The Trustee of the Scheme is Invensys Pension Trustee Limited. Invensys Pension Trustee Limited is a corporate trustee whose Board of Directors act together as trustees of the Scheme.

The Trustee 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 Invensys Pension Scheme's administration offices (Invensys Pensions), 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 Actuary. During the year under review, the Board met six times.

Board structure

In accordance with the Articles of Association of the Trustee Company the Board consists of a maximum of 11 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 changed by the Company. As detailed on page 5 the Board structure is currently being changed.

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

The Board has established three Committees in order to ensure efficient 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.

Company representatives attend Investment Committee meetings and are consulted on changes to investment policy.

The Governance & Audit Committee consists of Directors whose objective is to review the Scheme's risk management 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 Committee also reviews the annual financial audit and report of the Scheme's auditors.

There is also a Company Liaison Standing Committee which works directly with the Company on issues relating to Company policy and status.

These Committees make regular reports and proposals to the Board, which authorises actions taken. During the year the Investment Committee met on 12 occasions, and the Governance & Audit Committee five times.

Trustee's report

continued

The year in brief

On 31 March 2007 the value of the Fund was £3,838m (2006: £4,002m). The investment return on the assets was 0.4% compared to a Scheme specific performance benchmark that measured 1.0%. This compares to a return in 2006 of 14.0% against the Scheme specific benchmark of 14.2%. Investment managers are set a target return which is above the Scheme specific benchmark. Further details are provided in the Investment Report on pages 13 to 15.

In the main the Scheme's underperformance is due to the equity portfolio. This portfolio has been changed substantially in the last 12 months and will be revised by September 2007.

The Scheme was closed to new members on 1 November 2004 but remains open to further accrual for existing members, and the Company now offers new employees membership of a contract based stakeholder pension scheme.

Actuarial and funding position

The Actuary, who is independent of the Scheme, assesses the funding position of the Scheme, ie the balance between assets and liabilities. This Valuation is normally done formally and in detail every three years, with annual updates presented to the Trustee in other years.

During September 2005, the Trustee agreed to bring forward the Valuation due on 31 March 2006 to 30 September 2005, in order to consider with the Company the Scheme's funding position at the earliest opportunity following the introduction of new regulations under the Pensions Act 2004. Under this legislation the Trustee is responsible for setting the assumptions and the method for the Actuary to calculate the Technical Provisions, meaning the amount required by the Scheme to provide for the Scheme's liabilities on an ongoing basis. These Technical Provisions are then agreed by the Company.

Following discussions with the Actuary it was agreed to use the Projected Unit method with a nine year control period, which the Actuary believed was appropriate and prudent.

The Trustee reviewed various assumptions used by the Actuary in determining the possible basis for calculation of the Technical Provisions. The Trustee determined and agreed with the Company that the following key assumptions should be used:

- A discount rate linked to the yield on A-rated corporate bonds, which is equivalent to the yield on long dated fixed interest government securities plus 0.9% p.a.
- An inflation assumption of 2.8% p.a, together with an assumption of 3.3% p.a. for pension increases of LPI with a minimum of 3% p.a.
- A mortality assumption in line with the standard mortality table of PA92 (year of birth) Medium Cohort, with a 126% loading to the mortality rates.
- When a pension is commuted for a cash lump sum the terms provided will be 15% below the funding basis.

The agreed assumptions gave rise to the value for Technical Provisions at 30 September 2005 of £325m greater than the corresponding value of market assets at that date, and the Scheme therefore had a deficit of this amount, at that date.

The Trustee has set out a Statement of Funding Principles stating its policy on meeting the Statutory Funding Objective of having sufficient assets to meet the Scheme's Technical Provisions. As a result, the Trustee agreed with the Company a Recovery Plan, setting out the agreed funding to meet the Technical Provisions, and thereby eliminate the deficit.

This Recovery Plan committed the Company to maintaining a series of special contribution payments as laid out on page 17.

Furthermore, amendments were made to the Trust Deed confirming that the Statement of Investment Principles would be required to follow the objectives of the Statement of Funding Principles and the removal of the investment restrictions introduced by the Deed of Amendment dated 27 June 2003.

The Trustee believes that this package provides a funding plan for the Scheme that is prudent and appropriate. It will provide an immediate increase in funding for the Scheme, and a realisable plan for meeting the Statutory Funding Objective in the future. This plan includes revisions to the investment strategy of the Scheme to reflect the underlying funding arrangements:

- (a) the Scheme's Statement of Investment Principles will contain a statement of the Scheme's targeted rate of investment return, to be consistent with the last agreed Statement of Funding Principles;

- (b) the Statement of Investment Principles will contain a statement of the Scheme’s investment strategy, which, on the basis of investment advice, will need to be consistent in all material aspects with the targeted rate of investment return;
- (c) the Trustee will then be obliged to exercise its investment powers in a way which is materially consistent with this investment strategy, although in exceptional circumstances it will be possible to depart from this restriction for temporary tactical investment reasons or for purposes of transition.

In addition, the agreement requires the Company to provide the Trustee with various information including notification of any covenant default and material changes in the contribution rates to the US pension schemes.

On the basis of the above agreement the Trustee agreed not to pursue the guidance of the court regarding the 2003 and 2005 Deeds of Amendment.

The Scheme Actuary’s statement is on page 24.

The National Fraud Initiative

The Trustee along with other organisations takes part in the Audit Commission’s National Fraud Initiative. This initiative is to review 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 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. These reviews are completed and are dealt with sensitively to ensure any genuine misunderstandings by relatives of the deceased pensioners are satisfactorily resolved. However, any case which appears to be an incidence of potential fraud will be referred to the authorities for further investigation.

If after reviewing the information and data supplied about individual cases it appears to Invensys Pensions 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.

Administration

The Trustee can be contacted through Invensys Pensions at the address on page 35. 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.

Pension increases and transfer values

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

DISCRETIONARY BONUS AWARDS

1988	10%
1990	5-25% DEPENDING ON RETIREMENT DATE (AVERAGE 16%)
1992	5%
1995	4-50% DEPENDING ON RETIREMENT DATE (AVERAGE 5.5%)
1998	4%
2001	3%

Over the period since 1988, pension increases and bonuses 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.

Trustee's report

continued

The percentage change in RPI for the year to 31 December 2006 was 4.4%, resulting in payment in pensions being generally increased by this percentage on 1 April 2007. GMPs in payment and related to the period 6 April 1988 to 5 April 1997 were increased by 3.0% on the same date.

Statutory cash equivalent transfer values are calculated in accordance with the provisions of the Pension Schemes Act 1993 on a basis agreed between the Board and the Actuary.

Consultation

Active members

The Company has, for many years, maintained a successful communication process whereby it consults with Active Scheme members on a number of pension issues. Each participating employer in the Scheme has allocated to it one or more Members' Representatives who join with the Company and Pensioner Representatives to form the UKPCC (see table on page 12) 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 two of its Members' Representatives to become Directors of the Trustee.

Nomination of Directors

The Active members' route to the Board is through participation in the UKPCC, a forum set up by the Company at the inception of the Scheme. Active members of participating companies are invited to nominate themselves to sit on the UKPCC. Nominations must be proposed and seconded by Active members in the same company, and an election held as appropriate. The UKPCC then nominates at least two of its members to sit on the Board, and under the revised process final selection is made by the Governance and Audit Committee (GAC) of the Board, for final approval by the Board.

As detailed on page 5, a change will take place in the selection of Pensioner members to become MNDs. Any retired member of the Scheme in receipt of a pension may put themselves forward and their candidature must be supported by nominations from two other Pensioner members who are in receipt of an Invensys Scheme pension. A selection process will then be carried out by the GAC and final approval given by the Board.

Trustee training, knowledge and 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 and a Code of Practice has been issued by the Pensions Regulator. The Trustee seeks to comply with the Code of Practice 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

The Scheme 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 Invensys Pensions to see if the matter can be resolved informally.

During the course of the 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 35.

Bulk transfers out

A bulk transfer out totalling £3.4m in respect of the sale of the business of Brook Crompton was paid in July 2006. There are no outstanding bulk transfers at the present time.

Trustee attendance

During the year ended 31 March 2007 the Board held four regular meetings on a quarterly basis and two extraordinary meetings. At all meetings there was a minimum of nine of the 11 Directors present and over the whole year the Trustee Board achieved a 96% 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 Scheme.

During the year ended 31 March 2007 the following payments were made:

- 1 Chairman – received an annual salary of £60,000.
- 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, although no payments have been made in the Scheme year.

Communication

The Board ensures that all members are communicated with on a regular basis. During the year the Scheme issued two newsletters and a Summary Funding Statement which was included with the Annual Review of the Scheme. In agreeing the terms with the Company of the Defined Contribution Section the Board communicated directly with Active members who were affected by the proposals. The Scheme has a website www.invensyspensions.co.uk and members can contact the Scheme by e-mail as well as telephone and written enquiries.

Myners Principles

The Scheme has recognised and acted upon the principles contained in the Myners report and the subsequent report by HM Treasury in December 2004.

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, for example, 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. All managers report their actions to the Trustee on a quarterly basis and the Trustee ensures these decisions are monitored and reported upon.

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. All managers report their actions to the Trustee on a quarterly basis and the Trustee ensures these decisions are monitored and reported upon.

For and on behalf of Invensys Pension Trustee Limited

Signed:

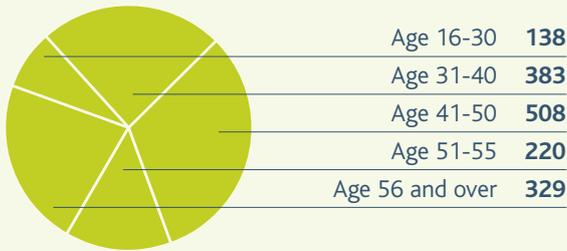


Chairman
26 July 2007

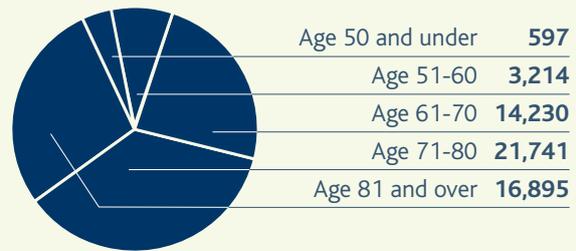
Member Analysis

as at 31 March 2007

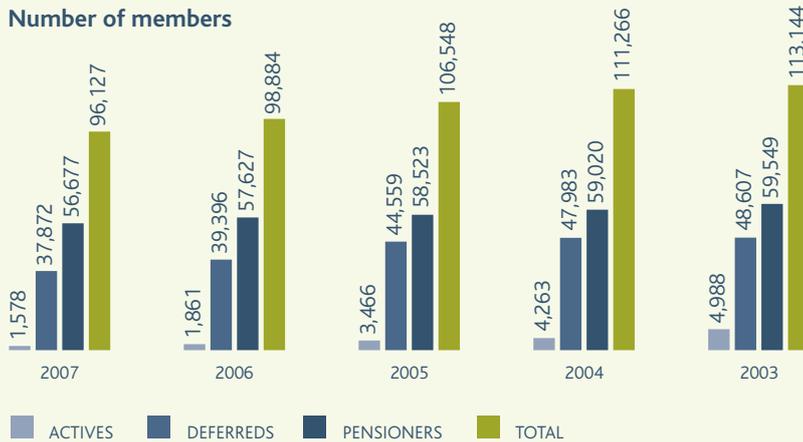
Age profile: Actives
(total 1,578)



Age profile: Pensioners
(total 56,677)



Number of members

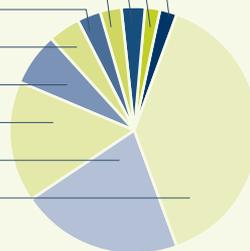


Changes in membership during the year

	Actives	Deferred	Pensioners
AS AT 31 MARCH 2006	1,861	39,396	57,627
NEW ENTRANTS	—	213	2,142
DEATHS	(1)	(87)	(3,092)
RETIREMENTS	(60)	(1,183)	—
LEAVERS	(222)	(467)	—
AS AT 31 MARCH 2007	1,578	37,872	56,677

Active members by operating company

- 6 Ranco Europe Ltd
- 19 Invensys Pension Trustee Ltd
- 30 APV Systems Ltd
- 51 Invensys plc
- 52 IMServ (Europe) Ltd
- 61 APV UK Ltd
- 116 Invensys Systems (UK) Ltd
- 271 Invensys Controls UK Ltd
- 344 Eurotherm Ltd
- 628 Westinghouse Brake & Signal Holdings Ltd



United Kingdom Pensions Consultative Committee

STEVE JONES CHAIRMAN
HEAD OF EXECUTIVE PROGRAMS (INVENSYS PLC)

MEMBERS' REPRESENTATIVES

- MIKE BELT** APV SYSTEMS LTD
- STEVE FOGGIN** INVENSYS PENSION TRUSTEE LTD
- GEOFF GAYFER** WESTINGHOUSE BRAKE & SIGNAL HOLDINGS LTD
- KEITH IRELAND** APV SYSTEMS LTD
- LINDA MANNING** IMSERV EUROPE LTD
- NITIN PATEL** INVENSYS PLC
- JAMES RAE** EUROTHERM LTD
- KEN ROSS** WESTINGHOUSE BRAKE & SIGNAL HOLDINGS LTD
- MIKE SWEET** INVENSYS CONTROLS UK LTD
- COLIN TOWNSEND** INVENSYS SYSTEMS (UK) LTD
- RUSSELL WALKER** WESTINGHOUSE BRAKE & SIGNAL HOLDINGS LTD
- DAVID WRIGHT** EUROTHERM LTD

COMPANY REPRESENTATIVES

- NICOLA WOOD** WESTINGHOUSE BRAKE & SIGNAL HOLDINGS LTD
- LORRAINE HOSKING** INVENSYS CONTROLS UK LTD
- TIM ROBINSON** APV SYSTEMS LTD
- KAREN PAGE** EUROTHERM LTD

PENSIONER REPRESENTATIVE

MARTIN BARKER

Investment report

The Scheme's investment strategy reflects the mature nature of the Scheme. At 31 March 2007 the Scheme was 98% mature, which indicates the Scheme should operate an investment policy to ensure that the returns on assets meet the future known liabilities of the Scheme. The reduced risk implicit in such a strategy means that generally a lower return is received than in other less mature schemes.

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

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.7.0). This document is updated regularly and the latest version was agreed in March 2007. A copy is available to members from Invensys Pensions, or on-line at www.invensyspensions.co.uk.

Economic background and market review

Equity markets rose in the year to 31 March 2007; however there were periods in the year when substantial falls in the equity market created high volatility. Bond yields also increased during the year as inflation started to rise although longer dated real yields continued to be at a relatively low level.

The Trustee required its investment managers to achieve positive returns in excess of market movements, in order to eliminate the deficit.

Investment strategy

Following the Funding Agreement with the Company in March 2006 the Trustee, following consultation with the Company, amended its investment strategy to increase the Scheme's bond holdings to 80%, which is matched to the Scheme's liabilities. This was executed between May and August 2006. The change was considered necessary as bond returns provide the best match for Scheme liabilities and their performance has a high correlation with the known future liabilities of the Scheme.

The changes during the year were intended to reduce investment risk to the Scheme. This was undertaken by reducing the allocation to non-matching assets, such as equities, together with increasing diversification of the types of investment and the number of managers utilised. The key element of the strategy is to ensure that the Scheme reduces all known and avoidable risks.

Investment structure and managers

Investment policy

At the beginning of the year the investment policy of the Scheme was 80% bonds, and 20% equities (including a Fund of Funds Hedge Fund). This reflected the Scheme's mature nature and the Trustee's desire to obtain sufficient out-performance potential to meet the funding objectives of the Scheme.

In order to conform with the new policy and raise the level of bond investments to 80%, between May and August 2006 all the passive equity investment and certain UK active equity investments were sold.

During the period October to December 2006 the Bond managers were asked to re-allocate their bond investments to match expected Scheme cashflows over a 50 year period as opposed to the previous 30 years.

During the period January to March 2007 the Trustee reviewed its policy for the investment of the Higher Performance Fund as it continued to diversify the fund and reduce the level of risk. On 8 March 2007 the Board approved changes to this element of the fund's strategy, which was implemented in April 2007.

The Trustee's policy towards investment in the Company is unchanged in that investment managers who invest in UK equities are allowed discretion subject to certain broad limits. At 31 March 2007 the Fund's holding of the Company's shares amounted to 0.14% of the Fund and less than 0.5% of the issued share capital of the Company, which complies with restrictions set out in Section 40 of the Pensions Act 1995.

Investment report

continued

Significant portfolio changes

In May 2006 £293m of UK and Global equities managed on a passive basis by BGI were sold and the proceeds invested with the three specialist Bond managers. Between June and August 2006 £200m of UK equities managed on an active basis by Schroder Investment Management Limited were sold. The proceeds of this sale were invested with the three specialist Bond managers, bringing the proportion of the Scheme's assets invested in bonds up to 80% and further reducing the investment risk within the Scheme. Subsequently the relative rise in equity markets compared to bonds reduced the proportion of bond investments to around 78% of the total Scheme assets as at 31 March 2007.

During April 2007 c£400m of UK and Global equities invested with UBS were sold and the proceeds after expenses and cash payments were invested as follows:

£M	INVESTMENT MANAGER	INVESTMENT TYPE
171	ABN AMRO	DYNAMIC ASSET ALLOCATION
70	PIONEER	BROAD BONDS
70	ALLIANCE BERNSTEIN	BROAD BONDS
40	STONE HARBOUR	BROAD BONDS
42	BLACKROCK	FUND OF HEDGE FUNDS

Investment manager mandates

The mandates agreed with the investment managers set out-performance targets over rolling three year periods and are shown in the table on page 15.

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

In May 2006, the Cashflow Matching bonds target was increased to the Scheme specific liability benchmark plus 0.35% per annum. A number of restrictions in the mandates for the Cashflow Matching and Immunisation Bond portfolios were revised to allow investment managers to use a variety of financial instruments to meet their targets.

In April 2007 the Dynamic Asset Allocation and Broad Bond portfolios were mandated against an Absolute Return benchmark of LIBOR plus 3-4%.

Investment managers are able to use financial derivative instruments to meet their targets within controls set out in documentation agreed by the Trustee.

Investment manager performance

The investments are managed, under the guidance of the Trustee and its Investment Adviser, by independent investment managers. The market values held by each as at 31 March 2007 are shown in the table on page 15.

Investment manager commentary

An investment return for the year of 0.4% did not meet the Scheme benchmark of 1.0%, nor the Scheme target of 2.6%; however, over the period since the inception of the new strategy on 30 September 2004, the assets have generated a return of 7.7% per annum against a Scheme liability benchmark of 6.1% per annum (Scheme target 9.1%). This underperformance has been kept under review by the Investment Committee and has resulted in the changes noted above, with further planned changes in 2007/08.

The Scheme's investment managers are continuously reviewed over a 36 month rolling period. These longer periods of review are essential, as it enables managers to be judged throughout the business cycle.

New Bond managers were introduced from 30 September 2004, with substantially changed mandates and this date is regarded as the start date for reviewing Bond manager performance.

Subsequent changes have been made to the Bond manager mandates and to the structure of the Higher Performance funds. These changes give managers more flexibility in their use of financial instruments and are intended to help managers contribute to benchmark outperformance.

INVESTMENT MANAGER	HOLDINGS AT 31 MARCH 2007		INVESTMENT RETURN % 12 MONTHS TO 31 MARCH 2007		SINCE 30 SEPTEMBER 2004	
	% OF TOTAL	£M	ACTUAL (%)	TARGET (%)	ACTUAL (%)	TARGET (%)
CASHFLOW MATCHING FUND						
AXA	16.6	627	0.2	0.3	5.2	5.2
BGI	16.6	626	0.1	0.3	5.1	5.2
M&G PRUDENTIAL	16.4	619	0.2	0.2	5.1	5.1
CASHFLOW MATCHING FUND	49.6	1,872	0.2	0.3	5.1	5.2
IMMUNISATION FUND						
AXA	9.4	354	0.2	0.8	5.4	5.6
BGI	9.3	352	0.1	0.8	5.2	5.7
M&G PRUDENTIAL	9.5	357	0.0	0.7	4.9	5.6
IMMUNISATION FUND	28.2	1,063	0.1	0.8	5.1	5.7
HIGHER PERFORMANCE FUND						
UBS (UK EQUITY)	8.2	310	8.4	13.2	17.3	21.6
UBS (GLOBAL EQUITY)	10.3	389	1.6	5.6	13.7	17.7
BLACKROCK (FUND OF HEDGE FUNDS)	3.7	140	7.3	9.5	9.6	9.3
HIGHER PERFORMANCE FUND	22.2	839	2.9	6.7	13.8	16.2
GRAND TOTAL	100%	3,774	0.4	2.6	7.7	9.1

Custody arrangements

Trust Law and the Pensions Act 1995 impose a fiduciary duty on the Trustee to safeguard the assets of the Scheme. Since 2001 the Trustee has appointed a global custodian to hold the Scheme's assets that make up the various portfolios managed by the investment managers. In the case of the Fund of Hedge Funds this work is undertaken by a separate custodian based in the United States (PFPC Inc). A review of custodian services took place in 2006, and as a result the Trustee changed its provider of global custodian services from HSBC to ABN AMRO Mellon on 1 September 2006.

In December 2006 Mellon Financial Corporation and the Bank of New York Inc announced that they had entered into a definitive agreement to merge. As an adjunct to that deal, Mellon Bank N.A. has agreed to purchase ABN AMRO's 50% share in ABN AMRO Mellon Global Securities Services B.V., subject to regulatory and other approvals. It is anticipated that the merger, which is subject to shareholder approval, will take effect during the third quarter of 2007.

The custodians are responsible for the safekeeping of assets and administration and ensuring that assets are only released with appropriate authorisation.

The administrative functions of the custodian 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 Scheme uses some pooled and collective investment arrangements where the custody services are arranged through the fund provider.

The Trustee together with its Investment Adviser reviews the effectiveness of the custody arrangements on a continual basis. The custodian is 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

No individual equity investment constituted more than 5% of the Scheme's assets. An analysis of investments are shown in the Notes to the Scheme's financial statements on pages 28 to 34. The aggregate amount of sales and purchases of investments during the year are also shown in those Notes.

Additional voluntary contributions (AVCs)

The AVC scheme was closed to new accounts from April 2006. Existing contributors may continue to invest in their AVC accounts.

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 a number of funds provided by Prudential.

Members either invest with Prudential or, where they have joined the Scheme following amalgamation with other schemes, have been permitted to continue to invest with the AVC provider of their original scheme.

At the end of the year there were 196 active members with an AVC account (2006: 209). There were also 1,719 deferred members with AVC accounts. Details of the value of a member's AVC fund are provided annually on individual statements.

Funding position

The Scheme's funding position was agreed as at 30 September 2005 by the Trustee and the Company, with the Technical Provisions amounting to £4,107m, giving a Scheme deficit of £325m. The Actuary reviews this position annually. An Actuarial Report was completed as at 31 March 2007, this being one year after the previous Actuarial Report as at 31 March 2006, was issued to the Trustee at its meeting on 14 June 2007.

It describes the development of the Scheme's Technical Provisions and funding level over the period since the last Valuation of the Scheme and should be considered in conjunction with the Report on the Actuarial Valuation as at 30 September 2005.

The 2007 Actuarial Report is not a formal Actuarial Valuation of the Scheme. However the Actuary confirmed that this report is consistent with the advice provided for the Actuarial Valuation.

Development in Technical Provisions over the period to 31 March 2007

The following changes to key matters affecting the calculation of the Scheme's Technical Provisions have occurred during the period under review (since the last Actuarial Valuation):

- (a) **Discount rate** – The yield on long-term government securities increased by around 0.21% p.a. over the period, implying a discount rate of 5.41% p.a. This serves to decrease the Scheme's Technical Provisions by approximately £118m.
- (b) **Inflation** – The implied rate of inflation by reference to market yields on long-dated index linked and fixed interest government securities has risen by 0.32% p.a., implying an inflation assumption of 3.12% p.a. Ignoring the effect on the assumption for pension increases discussed below, this increases the Scheme's Technical Provisions by approximately £24m.
- (c) **Pension increases** – The assumption applied for the increases to pensions in payment derived from the rate of inflation has increased by 0.16% p.a., implying an assumption of 3.46% p.a. This serves to increase the Scheme's Technical Provisions by approximately £58m.
- (d) **Other factors** – Interest over the period under review on the value of the Technical Provisions at the Actuarial Valuation date, together with changes to the Scheme's membership, has served to increase the Technical Provisions by approximately £96m.

Overall it is estimated an increase in the Scheme's Technical Provisions over the period under review of approximately £60m has occurred. The Technical Provisions at 31 March 2007 are estimated to be £4,047m.

Review of the funding level

In accordance with the agreed Recovery Plan during the year the Scheme received the following deficit reduction contributions from the Company.

28 JULY 2006	£12.4M
30 SEPTEMBER 2006	£10.0M
31 MARCH 2007	£10.0M

In total, contributions (other than AVCs) of £162m were received by the Scheme from the Company over the period 1 October 2005 to 31 March 2007, of which £137m were in respect of the deficit. In addition, there were benefit and expense payments of approximately £362m, and market movements during the period (net of other cashflows) have increased the assets by £256m, resulting in Scheme assets of £3,838m as at March 2007.

Overall the effect of these total movements, along with the approximate decrease in Technical Provisions, gives rise to an improved funding level at 31 March 2007 of 95% (compared to 92% as disclosed in the Actuarial Valuation) and a deficit in the Scheme of £209m (£325m in the Actuarial Valuation).

Recovery plan

Status

This Recovery Plan has been prepared by the Trustee, after discussions with the Company, on 28 March 2006 after obtaining the advice of David Cule, the previous Scheme Actuary, at that time.

The Actuarial Valuation of the Scheme as at 30 September 2005 revealed a funding shortfall (Technical Provisions minus value of assets) of £325m.

Steps needed to be taken to ensure that the Statutory Funding Objective is met, as this requires the Scheme to have sufficient and appropriate assets to cover its Technical Provisions.

1. Deficit reduction contributions (DRCs)

To eliminate this funding shortfall, the Trustee and the Company have agreed that DRCs will be paid to the Scheme as shown in the table below.

DUE BY	AMOUNT	DUE BY	AMOUNT	DUE BY	AMOUNT
31 MARCH 2006	£105.0M	31 MARCH 2009	£18.0M	31 MARCH 2012	£19.5M
30 SEPTEMBER 2006	£10.0M	30 SEPTEMBER 2009	£18.5M	30 SEPTEMBER 2012	£20.0M
31 MARCH 2007	£10.0M	31 MARCH 2010	£18.5M	31 MARCH 2013	£20.0M
30 SEPTEMBER 2007	£10.0M	30 SEPTEMBER 2010	£19.0M	30 SEPTEMBER 2013	£20.5M
31 MARCH 2008	£10.0M	31 MARCH 2011	£19.0M	31 MARCH 2014	£20.5M
30 SEPTEMBER 2008	£18.0M	30 SEPTEMBER 2011	£19.5M	30 SEPTEMBER 2014	£21.5M

All amounts due by 31 March 2007 have been paid in accordance with the Schedule.

2. Contributions on the disposal of an Invensys business

- 2.1 There is also a provision for the Scheme to be paid a special contribution following the sale of an Invensys business. This was fully set out in the last Annual Report. However, where an Invensys business is sold that includes the sale of a participating employer, the Additional Disposal Contributions (ADC) shall be the higher of (a) 8% of proceeds net of tax and disposal costs or (b) the debt on the participating employer arising or such amount as agreed in a withdrawal arrangement agreed by the Pensions Regulator.
- 2.2 Where an Invensys business is sold that does not include a participating employer, and the proceeds of sale are less than £1,000,000, no ADC shall be made to the Scheme.
- 2.3 In addition, an ADC shall only become payable to the extent that the sum of all DRCs paid under clause 1.1 above, ADCs previously paid under clause 2.1 and the ADC in question does not exceed £325m. This clause 2.3 will not apply if the ADC is a debt on a participating employer or such amount as agreed in a withdrawal arrangement agreed by the Pensions Regulator.
- 2.4 In this clause 2 a disposal shall include a series of transactions involving the disposition of trades or companies forming an Invensys business, where those dispositions are linked, whether or not they complete simultaneously. Invensys Business Group means one of the groups of businesses managed by Invensys Process Systems, Wonderware, Invensys Rail Group, Invensys Controls, Eurotherm and APV.

Period in which the Statutory Funding Objective should be met

The funding shortfall is expected to be eliminated in 8.5 years from 31 March 2006, which is by 30 September 2014. This expectation is based on the following assumptions:

- Technical Provisions calculated according to the method and assumptions set out in the Statement of Funding Principles dated 28 March 2006.
- The return on existing assets and the return on new contributions during the period as set out in the Statement of Funding Principles dated 28 March 2006 for the calculation of Technical Provisions and applicable to that period.
- There are no business sales in the period.

Progress towards meeting the Statutory Funding Objective

It is expected that over 50% of the funding shortfall will be met in three years from 31 March 2006, which is by 31 March 2009.

Scheme governance

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

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 has set out 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, and will control and audit the management of the Scheme in line with these policies.

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 annually 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 for safeguarding them 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 Board on any issues that arise from this audit. An internal audit of the Scheme's administrative control processes and procedures has been conducted during the current Scheme year by an external body.

Compliance statements

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

Trust Deed and Rules

On 28 March 2006, the Trustee and the Company signed the Third Definitive Trust Deed and Rules of the Scheme. The new Trust Deed and Rules brought the Scheme up to date with current legislation and amalgamated a number of Deeds of Amendment that had occurred since the Second Definitive Deed and Rules were completed in 1995.

Copies of the new Trust Deed and Rules are available to members on request to Invensys Pensions. Please note that an appropriate copy charge will be made.

Adviser changes

On 14 June 2006 the Scheme Actuary, D O Cule, resigned although he continues to act as a general adviser to the Scheme. S M Leake of Punter Southall Limited was appointed on 15 June 2006. There were no other changes to the Scheme's advisers although certain investment managers' mandates were changed.

Following the resignation of D O Cule as the Scheme Actuary with effect from 15 June 2006, he reported that there were no circumstances connected with his resignation which in his opinion significantly affected the interests of the members and prospective members of, or beneficiaries under, the Scheme.

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.

During the year no reports had to be made to the Pensions Regulator in respect of late payments of contributions.

A revised Schedule of Contributions was signed on 31 March 2007. A Summary of Contributions is shown on page 23.

Trustee responsibilities

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

The Scheme's Trustee is responsible for obtaining audited financial statements which comply with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and for making available certain other information about the Scheme in the form of an Annual Report.

The financial statements are the responsibility of the Trustee. Pension scheme regulations require the Trustee to make available to Scheme members, beneficiaries and certain other parties audited financial statements for each Scheme year which:

- 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 financial statements 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 participating employers 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.

Auditor's report

Independent auditor's report to the Trustee of the Invensys Pension Scheme.

We have audited the Scheme's financial statements for the year ended 31 March 2007 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.

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 it in an auditor's 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 responsibilities, the Scheme's Trustee is responsible for obtaining audited financial statements which comply with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

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

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. The other information comprises Chairman's Review, Trustee Board, Scheme Advisers, Trustee's Report, Investment Report, Funding Position, Recovery Plan, Scheme Governance, Compliance Statements, Actuarial Certificates, Members' Information and Glossary.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the financial transactions of the Scheme during the Scheme year ended 31 March 2007, 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
- the financial statements 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

Ernst & Young LLP
Registered Auditor
Newcastle upon Tyne
30 July 2007

Statement about contributions

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 the Invensys Pension Scheme.

We have examined the Summary of Contributions to the Invensys Pension Scheme in respect of the Scheme year ended 31 March 2007 to which this statement is attached.

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 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 Scheme's Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for monitoring whether contributions are made to the Scheme by the employer 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 contributions

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 reported in the attached Summary of Contributions, have in all material respects been paid at least 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.

Statement about contributions

In our opinion the contributions payable to the Scheme during the year ended 31 March 2007, as reported in the attached Summary of Contributions, have, in all material respects, been paid in accordance with the Schedule of Contributions certified by the Actuary on 28 March 2006.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Newcastle upon Tyne
30 July 2007

Summary of contributions

Invensys Pension Scheme.

Summary of contributions payable during the year ended 31 March 2007.

During the year ended 31 March 2007 the contributions payable to the Scheme under the Schedule of Contributions were as follows:

	£000
EMPLOYER SMART CONTRIBUTIONS	12,506
EMPLOYER NORMAL CONTRIBUTIONS	1,861
EMPLOYER SPECIAL CONTRIBUTIONS	20,000
EMPLOYEE NORMAL CONTRIBUTIONS	376
TOTAL CONTRIBUTIONS UNDER SCHEDULE OF CONTRIBUTIONS	34,743
OTHER CONTRIBUTIONS	
EMPLOYER SPECIAL CONTRIBUTIONS	12,868
EMPLOYEE ADDITIONAL VOLUNTARY CONTRIBUTIONS	325
TOTAL CONTRIBUTIONS PER NOTE 3 OF THE FINANCIAL STATEMENTS	47,936

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.

Following an agreement with the Company on 28 March 2006, a new Schedule of Contributions was agreed. Future Company contributions will be at 24.3% of members' Pensionable Pay from 1 April 2006.

The employer's special 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.

The new Schedule of Contributions was agreed on 31 March 2007 and reduces the future Company contributions to 19.3% of members' Pensionable Pay from 1 April 2007. The contributions for the vast majority of members will increase by 5% of Pensionable Pay from the same date and include contribution details for the new Defined Contribution Section from that date.

Signed on behalf of the Trustee



26 July 2007

Actuary's certificate of the calculation of Technical Provisions

Name of scheme: Invensys Pension Scheme

Calculation of Technical Provisions

I certify that, in my opinion, the calculation of the Scheme's Technical Provisions as at 30 September 2005 is made in accordance with regulations under Section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the Trustee of the Scheme and set out in the Statement of Funding Principles dated 28 March 2006.

Signature



28 March 2006

David Cule

Fellow of the Institute of Actuaries

Punter Southall & Co Ltd
Tempus Court
Onslow Street
Guildford
Surrey
GU1 4SS

Actuary's certificate of Schedule of Contributions

Name of scheme: Invensys Pension Scheme

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this Schedule of Contributions are such that:

The Statutory Funding Objective can be expected to be met by the end of the period specified in the Recovery Plan dated 28 March 2006.

Adherence of Statement of Funding Principles

2. I hereby certify that, in my opinion, this Schedule of Contributions is consistent with the Statement of Funding Principles dated 28 March 2006.

The certification of the adequacy of the rates of contributions for the purpose of securing that the Statutory Funding Objective can be expected to be met is not a certificate of their adequacy for the purpose of securing the Scheme's liabilities by the purchase of annuities, if the Scheme were to be wound up.

Signature



2 April 2007

Steve Leake

Fellow of the Institute of Actuaries

Punter Southall & Co Ltd
Tempus Court
Onslow Street
Guildford
Surrey
GU1 4SS

Fund account

(for the year ended 31 March 2007)

	NOTES	31 March 2007 £000	31 March 2006 £000
Contributions and Benefits			
Contributions receivable	3	47,936	148,434
Members' transfers-in	4	875	699
		48,811	149,133
Benefits payable	5	(202,252)	(200,341)
Payments to and on account of leavers	6	(23,996)	(19,837)
Administrative expenses	7	(3,996)	(5,321)
		(230,244)	(225,499)
Net withdrawals from dealings with members		(181,433)	(76,366)
Returns on investments			
Investment income	8	140,826	121,014
Change in market value of investments		(117,017)	377,564
Investment management expenses	12	(6,076)	(6,506)
Net returns on investments		17,733	492,072
Net (decrease)/increase in the fund during the year		(163,700)	415,706
Fund at beginning of year		4,002,182	3,586,476
Fund at end of year		3,838,482	4,002,182

Net assets statement

(as at 31 March 2007)

	NOTES	31 March 2007 £000	31 March 2006 £000
Investments	10		
Fixed interest securities		1,950,951	1,564,636
Equities		825,065	1,000,727
Index-linked securities		1,198,727	1,022,988
Managed and unitised funds		18,217	320,109
Cash items		(225,985)	63,690
Additional voluntary contributions & transfer-in investments	11	10,617	11,031
Other		6,949	(17,831)
		3,784,541	3,965,350
Fixed assets	14	57	67
Current assets and liabilities	9	53,884	36,765
Fund at end of year		3,838,482	4,002,182

These financial statements were approved by the Trustee on 26 July 2007.

Signed on behalf of Invensys Pension Trustee Limited:

KA O'Donovan



IR Fyfe



Directors
26 July 2007

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 (SORP), Financial Reports of Pension Schemes 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 which 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 24 to 25 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 2007.

e Taxation

The Scheme is approved by HM Revenue & Customs 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 employer based on the recommendations of the Scheme Actuary. Members' additional voluntary contributions are accounted for on an accruals basis.

g Fixed assets

With effect from 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 Invensys plc 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

	31 March 2007 £000	31 March 2006 £000
Employers' – special	32,868	129,507
– normal	1,861	14,930
– SMART	12,506	–
Members' – normal	376	3,708
– AVCs	325	289
	47,936	148,434

The employers' 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 employers' 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.

SMART contributions refer to payments made by the employer on behalf of members under a salary sacrifice arrangement. These arrangements were introduced in April 2006.

4 Members' transfers-in

	31 March 2007 £000	31 March 2006 £000
Group transfers-in from other schemes	875	699

The Trustee suspended the acceptance of individual transfers-in in 2001.

5 Benefits payable

	31 March 2007 £000	31 March 2006 £000
Pensions	185,505	183,401
Lump sums payable on retirement	15,292	14,960
Capital sums payable on death	1,455	1,980
	202,252	200,341

Notes to the financial statements

continued

6 Payments to and on account of leavers

	31 March 2007 £000	31 March 2006 £000
Group transfers to other schemes	198	9,364
Individual transfers to other schemes	22,744	8,339
AVC scheme withdrawals	974	1,186
State scheme premiums for leavers	63	805
Contribution refunds	17	143
	23,996	19,837

The variance in payments made under Group and Individual transfer arrangements from previous years reflects the decision that where the Company disposes of a business all transfers are now made on an individual basis.

7 Administrative expenses

	31 March 2007 £000	31 March 2006 £000
Administration and data processing	1,860	1,878
Pension Protection Fund levy	679	1,357
Actuarial fees	712	1,193
Auditor's fees— audit fees	68	82
— non-audit fees	—	15
Legal and other professional fees	641	770
Directors' fees	36	26
	3,996	5,321

8 Investment income

	31 March 2007 £000	31 March 2006 £000
Income from fixed interest securities	81,617	71,162
Dividends from equities	23,693	23,205
Income from index-linked securities	33,327	25,252
Income from managed or unitised funds	86	84
Interest on cash deposits	2,049	1,207
Other	54	104
	140,826	121,014

9 Current assets and liabilities

	31 March 2007 £000	31 March 2006 £000
Pensions paid in advance	14,815	14,343
Accrued interest and dividends	34,411	31,460
Employer contributions due	1,148	1,201
Other debtors	5,253	451
Cash and deposits	8,309	1,108
State premiums payable	(75)	(348)
Bulk transfers payable	–	(3,289)
Lump sum benefits payable	(2,729)	(1,001)
Other creditors	(7,248)	(7,160)
	53,884	36,765

10 Investments

	As at 31 March 2006 £000	Purchases £000	Sales £000	Market value movement £000	As at 31 March 2007 £000
Equities	1,000,727	868,816	(1,036,943)	(7,535)	825,065
Fixed interest	1,564,636	2,499,400	(2,001,592)	(111,493)	1,950,951
Index-linked	1,022,988	1,139,212	(955,743)	(7,730)	1,198,727
Managed funds	320,109	113,805	(408,446)	(7,251)	18,217
Other	(17,831)	–	–	24,780	6,949
AVCs	11,031	1,325	(2,232)	493	10,617
	3,901,660	4,622,558	(4,404,956)	(108,736)	4,010,526
Cash deposits	63,690				(5,997)
Cash instruments	–				43,570
Cash backing futures	–				(263,558)
	3,965,350				3,784,541

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.

Notes to the financial statements

continued

10 Investments continued

	31 March 2007 £000	31 March 2006 £000
Fixed interest securities		
UK public sector quoted	1,161,601	1,029,274
Overseas public sector	250,459	30,724
Corporate bonds	538,891	504,638
	1,950,951	1,564,636
Equities		
UK quoted	311,535	534,084
Overseas quoted	373,667	336,241
	685,202	870,325
BlackRock Fund of Hedge Funds	139,863	130,402
Index-linked securities		
UK	1,198,727	979,258
Overseas	–	43,730
	1,198,727	1,022,988
Managed and unitised funds		
Managed funds	18,217	290
Unitised trusts	–	319,819
	18,217	320,109
Cash balances		
Cash backing Futures	(263,558)	–
Sterling	41,097	67,017
Foreign currency	(3,524)	(3,327)
	(225,985)	63,690
Other		
Amounts receivable in respect of investments sold	18,896	16,331
Amounts payable in respect of investments purchased	(11,947)	(34,162)
	6,949	(17,831)
Total	3,773,924	3,954,319

11 Additional Voluntary Contributions (AVCs)

The Trustee offers contributing members the opportunity of paying AVCs to the Prudential although the ability to open new accounts ceased in April 2006.

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.

Members, where applicable, 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	Equitable Life	Other	Total
31 March 2006	1,126	765	399	2,290
31 March 2007	1,112	706	246	2,064

Funds

	Prudential £000	Equitable Life £000	Other £000	Total £000
Members' funds at 31 March 2006	4,513	3,764	2,754	11,031
Contributions/transfers-in	1,254	–	71	1,325
Interest and bonuses	269	123	100	492
Withdrawals/transfers-out	(696)	(359)	(1,176)	(2,231)
Members' funds at 31 March 2007	5,340	3,528	1,749	10,617

Funds transferred by members from one AVC provider to another are included in "transfers-in" and "transfers-out".

12 Investment management fees

	31 March 2007 £000	31 March 2006 £000
Administration, management and custody	6,060	6,477
Performance measurement services	16	29
Total	6,076	6,506

13 Related party transactions

Three Trustee Directors are in receipt of a pension from the Scheme and another is a deferred pensioner. 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 four 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.

Notes to the financial statements

continued

14 Fixed assets

	Office equipment £000	Computer hardware £000	Computer software £000	Motor vehicles £000	Total £000
Cost:					
As at 1 April 2006	3	120	35	19	177
Additions	8	19	7	23	57
Disposals	–	–	–	(19)	(19)
As at 31 March 2007	11	139	42	23	215
Depreciation:					
As at 1 April 2006	1	70	20	19	110
Provided during the year	2	46	14	5	67
Disposals	–	–	–	(19)	(19)
As at 31 March 2007	3	116	34	5	158
Net book value:					
As at 31 March 2007	8	23	8	18	57
As at 1 April 2006	2	50	15	–	67

Members' information

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.

Scheme administration

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

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

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

Events calendar

DATE	EVENT
AUGUST 2007	ISSUE OF SCHEME REPORT AND ACCOUNTS
OCTOBER 2007	ISSUE OF AUTUMN 2007 PENSION NEWS
31 MARCH 2008	END OF SCHEME FINANCIAL YEAR
APRIL 2008	ISSUE OF SPRING 2008 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
HM Revenue & Customs www.hmrc.gov.uk
Invensys plc www.invensys.com
The Pensions Advisory Service www.pensionsadvisoryservice.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 benefit under that scheme in respect of current service.

Actuarial assumptions The actuary's 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, eg if there is a surplus or if there is a bulk transfer.

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 or the Faculty of Actuaries.

Additional voluntary contributions (AVCs) Members can make AVCs to their occupational scheme. This enables them to have top-up benefits.

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 HM Revenue & Customs.

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 scheme's 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.

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.

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, changes to standard benchmarks, and a review of 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; HM Revenue & Customs 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, HM Revenue & Customs 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 for tax in a subsequent year, ie calculated on an "earned" rather than a "paid" basis.

Schedule of Contributions A formal agreement between the company and the trustee(s) 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 an additional State pension, which replaced SERPS. There are two main differences with SERPS. First of 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.

Technical Provisions A prudent estimate, made on actuarial principles, of the assets needed at any particular time to make provision for benefits already accrued under the scheme. These include pensions in payment (including those payable to survivors of former members) and benefits accrued by other members which will become payable in future.

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**

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