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Invensys Pension Scheme

Trustee's Annual Report & Financial Statements 2012

Scheme Registration Number: 10143856

Contents

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 safeguard 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.

Chairman's review

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

It is with great sadness that I report the death of Martin Barker who was a valued member of the Trustee Board. Martin had been involved with IPS directly or indirectly for over 30 years and he had only recently retired from the Board in April of this year. He played an active part in the Scheme's transformation over the years and was immensely respected by his colleagues. As Chairman, I very much appreciated his advice and wise counsel over a wide range of subjects and I know how diligently he worked for the members of the Scheme. Martin's presence, vast experience and knowledge will be greatly missed by us all.

The Year in Summary

This year's Annual Report and Financial Statements to 31 March 2012 reflects what has been a busy year for the Invensys Pension Scheme, probably one of the busiest since the Pensions Act 2004 was introduced.

We completed the Scheme's Triennial Actuarial Valuation (the Valuation), as at 31 March 2011, in Q1 2012. A provisional agreement was reached with Invensys plc (the Company) in June 2011; however, given the difficult and volatile capital markets in the latter half of the year, changes at the senior management of the Company, an announcement by the Company of a possible pension scheme buy-out, and the Company's discussions with banks regarding the refinancing of its debt facilities, the Valuation was kept open for longer to ensure that all key matters were fully considered.

Insofar as the current funding position as at 31 March 2012 is concerned, the valuation by the Scheme's Actuary of the Scheme's Defined Benefit (DB) Section showed assets of £4,271m (2011 £3,967m) and liabilities of £4,819m (2011 £4,202m), representing a funding position of 89% (2011 94%). Including the Defined Contribution Section, AVC and Protected Rights, the Scheme's total assets were £4,283m (£3,979 in 2011). So although our asset values have increased, in common with other Defined Benefit Schemes, the valuation of our liabilities also increased substantially due to the exceptional pricing of UK government bonds. It is the price of these bonds that is used to value the Scheme's pension liabilities. As and when the economy and markets recover, the valuation of liabilities could be expected to reduce – thereby reducing the deficit in the future.

The Board has also agreed to a significant structural change in the management of the Scheme with the transfer of the Scheme's administration services to a third party administrator, Punter Southall.

Finally, this year was a year during which the new investment governance of the Scheme's assets and liabilities approved by the Board in Q1 2011 was put to the test and new tools for the Scheme's risk management platform were implemented.

Outlook

As has been the case for the past four years, the Board, the Executive Office and the Scheme's advisers must remain vigilant for the coming year. The sovereign, fiscal and political crises in Europe are far from being resolved and could impact (or re-impact) the banking sector, which would have severe implications on the UK and the rest of the world. The question of the survival of the Euro remains, the US still has not solved its debt ceiling crisis despite reaching a peak last year and the situation in North Africa and the Middle East remains fragile. Looking back at my 2011 report, this year's outlook looks strikingly like "take two" of last year's.

The Executive Office, advised by PwC as Corporate Sponsor Covenant adviser, will be closely monitoring the commercial, operational and financial health of Invensys plc, especially following a year characterised by high intensity for the Company.

On a more practical note, the Executive Office will be focusing on matters such as

1. closely managing and monitoring the first year of the Scheme's new administration services provider, Punter Southall, and
2. understanding, monitoring and assessing the potential impact on the UK pension scheme industry generally and on IPS more specifically of the many initiatives currently being drafted by policy makers, such as Solvency II, Central Clearing of Over-The-Counter Derivatives, Alternative Investment Funds Managers Directive and Basel II.

Insofar as investments are concerned, the Executive Office will be focusing on the outcome of the biennial Investment Strategy Review, which took place in March 2012, being mainly

1. an extensive review of the Scheme's interest rate and inflation risks,
2. the review of the Scheme's alternative investments strategy and
3. the review of the Scheme's credit investments strategy.

Finally, the Executive Office, with the help of P-Solve, will implement the changes to the DC Section's investment offering approved by the Investment Committee in April this year.

The Triennial Actuarial Valuation at 31 March 2011

Working with the Scheme Actuary, we are required to value the assets and liabilities of the Scheme at least every three years. We are also required to agree the assumptions we use with the Company. The Company's view is important because, as Scheme sponsor, they are required to make up any deficit that may arise on the valuation through the agreed Recovery Plan.

The 2011 Triennial valuation resulted in a deficit of £235m, representing 6% of liabilities.

In light of these results, the Company has agreed to maintain the Recovery Plan, contributing deficit payments of £40m per annum increasing with expected inflation until 31 March 2017. This is consistent with the Recovery Plan agreed in 2008.

As part of the Valuation discussions, the Trustee was able to enhance the position of the Scheme as a result of the following:

- a strengthening of the assumptions used to value the liabilities compared to those used for the 2008 Triennial Valuation;
- a requirement for the Company to provide information, and consult where necessary, on dividends paid to shareholders and changes to its bank borrowing facilities;
- an agreement to review commitments of the various participating employers in situations where a debt to the Scheme may arise; and
- an acceleration by six months of the deficit funding contribution payments.

The next full actuarial valuation is due to be performed as at 31 March 2014.

More details on the triennial valuation are provided in the Trustee's report.

The Scheme Sponsor

The Company and its financial position are critical to the Scheme as Invensys plc is the ultimate sponsor of the liabilities and provides financial support to the Scheme through the Recovery Plan.

As mentioned earlier, last year was a busy year for the Company:

- changes at the senior management level, with Wayne Edmunds becoming CEO in March 2011, David Thomas, then acting CFO, being confirmed in his role in July 2011;
- the January 2012 market announcement, which raised a number of matters relating to profitability of contracts, project control (in Rail and China Nuclear) and cash headroom;
- the refinancing of its bank facilities.

The Company's full year results at 31 March 2012 have allayed some of the concerns we had in January 2012, through better cash performance in the second half of the year, the refinancing of the debt facilities and further detail around the mitigating actions taken on certain contracts.

The Scheme's corporate sponsor risk remains however significant, for two main reasons:

1. The relative size of the DB Section's liabilities (c. £4.8bn) to the Company's market cap (c. £1.6bn) at 31 March 2012;
2. The 2012 actuarial deficit of £548m.

The Company's revenues were up, at £2,539m in 2012 (£2,486m in 2011, £2,243m in 2010) but the operating profit (excluding exceptional items) was down 20% from 2011 to £209m, following £60m of additional contract costs announced in January 2012. The Company also reported a cash outflow of £11m (£83m inflow in 2011, £100m inflow in 2010). Crucially, the Company maintained a strong financial position with a net cash position of £262m and £600m of debt banking facilities, an increase of c. 50% to the previous facilities.

Investments

Our overall strategy remains

1. to reduce risk over time,
2. increase security and
3. target additional return to help reduce the funding gap in a *risk-controlled manner.*

Last year, the Scheme's assets generated a positive return of 13.0%, against an aggregate Investment Manager Target of 15.7%. Our actual performance in absolute terms is good, especially in the context of a difficult year.

Our liabilities however have grown at a faster pace than our assets, increasing the Scheme's deficit from £235m to £548m as at 31 March 2012. Further explanations on the components of the deficit are provided in the Investment Report.

The Executive Office (EO) focused during the year on enhancing the Scheme's investment and risk management capabilities. Key initiatives included:

1. Overall review of the Investment Strategy;
2. Implementation of an Asset and Liability risk management platform;
3. Enabling a Repurchase Agreement (repo) investment framework to be used by the Scheme's Liability Matching Fund manager;
4. Design and Implementation of a new Liquidity Policy.

Chairman's review continued

Administration

On 1 November 2011, The Trustee transferred the responsibility of the Scheme's Administration Office (AO) to Punter Southall (PS), a long-time adviser to the Scheme, who will provide third-party pension administration (TPA) services to the Trustee.

The Trustee approved this transfer following a thorough due diligence and review exercise conducted by the Executive Office and a commitment by PS that they would provide

a) at least all the services previously provided directly by Invensys Pensions and

b) enhanced services relating to IT and the need to meet increasingly complex regulation regarding data management and scheme administration.

The following five factors were critical in the Trustee's decision-making process:

1. Outsourcing the administration of the Scheme to a professional administrator helps us ensure that the long-term level of services provided to members remains of the highest standards;
2. The outsourcing reduces the Trustee's pension administration risks, particularly given the increased focus of national regulators on pension administration and personal data management;
3. The Scheme has one of the oldest and most complex defined benefit scheme "DNA" in the UK with 186 consolidated underlying sections. PS have an unrivalled knowledge of the Scheme given that they (or one of their founders) have been advising IPS or one of its legacy schemes since 1978. Outsourcing the administration to PS, compared to another Third Party Administration (TPA) provider, is therefore the least risky option for the Trustee from a pension administration perspective;
4. The cost of PS's services to the Trustee would be equivalent to that of retaining an upgraded in-house administration office – upgraded at the minimum to meet the latest TPA market standards (as well as reducing risks);
5. That cost was reviewed and compared with that quoted by the four main UK TPA service providers.

The agreement includes the transfer of all of the AO's staff and offices to PS, thereby allowing for a streamlined continuity in the services provided to our members.

The Administration Office, still located in Newcastle, has moved into more modern premises. Contact details are provided at the back of this report.

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

Kathleen O'Donovan
Chairman of the Trustee of the Invensys Pension Scheme
8 August 2012

Trustee's report: the year in summary

The accounts in brief

	£ million
Fund value at 1 April 2011	**3,979**
Income	
Contributions paid by Invensys plc and Scheme members	51
Income and capital gains from investments	510
Outgoings	
Benefits payable to members (pensions and lump sums)	(229)
Payments to leavers	(5)
Fees and expenses (administration, advisers, investment managers)	(23)
Fund value at 31 March 2012	**4,283**

Funding position

The Scheme Actuary provides the Trustee with an update of the Scheme's funding level each year. This is either a full (formal) valuation, which is carried out at least every three years (the triennial valuation), or an annual estimate in the intervening years.

The Scheme's full funding position was last agreed by the Trustee and the Company for the triennial valuation with an effective date of 31 March 2011, with the Technical Provisions (the amount required to cover the Scheme's liabilities) amounting to £4,202m, giving a Scheme deficit of £235m and a funding level of 94%.

The Trustee continues to monitor the funding position of the Scheme to ensure the funding arrangements in place remain appropriate. The Scheme Actuary has produced his actuarial report which gives an estimated funding position as at 31 March 2012. This reports a deficit of £548m. The deterioration in funding position since the full valuation date was primarily due to falls in gilt yields, which the Trustee uses to value the Scheme's liabilities and which have led to our liabilities increasing faster than our assets.

Evolution of the Technical Provisions deficit:

	£ million
Deficit as at 31 March 2011	**235**
Interest on deficit	(4)
Deficit reduction contributions	39
Asset performance greater than expected	418
Greater increase in liabilities than expected	(766)
Deficit as at 31 March 2012	**548**

The year in Summary: Membership profile

Number of members

2012

Total **82,754**

Total	82,754
Pensioners	53,038
Deferred	28,893
Actives	823

2011

Total **85,209**

Total	85,209
Pensioners	53,744
Deferred	30,536
Actives	929

2010

Total **89,397**

Total	89,397
Pensioners	54,659
Deferred	33,723
Actives	1,015

2009

Total **91,564**

Total	91,564
Pensioners	55,257
Deferred	35,180
Actives	1,127

2008

Total **93,837**

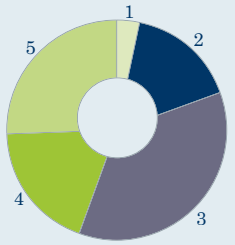
Total	93,837
Pensioners	56,068
Deferred	36,476
Actives	1,293

Age profiles

at 31 March 2012

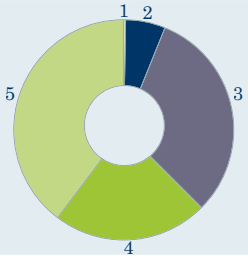
Actives

1 16 – 30	28
2 31 – 40	134
3 41 – 50	296
4 51 – 55	156
5 56 & over	209
Total	823



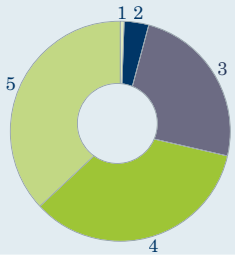
Deferred

1 21 – 30	58
2 31 – 40	1,725
3 41 – 50	9,094
4 51 – 55	6,595
5 56 & over	11,421
Total	28,893



Pensioners

1 50 & under	397
2 51 – 60	1,936
3 61 – 70	12,885
4 71 – 80	18,231
5 81 & over	19,589
Total	53,038



Changes in membership during year

	Actives	*Deferred*	*Pensioners*	*Total*
At 31.03.11	929	30,536	53,744	85,209
Retrospective adjustments*	(12)	(36)	17	(31)
New deferreds	–	61		61
Deaths	(1)	(45)	(2,893)	(2,939)
Retirements	(32)	(1,111)	1,143	0
Spouse/dependant pensions			1,027	1,027
Leavers**	(61)	(512)	–	(573)
At 31.03.12	823	28,893	53,038	82,754
Of which, members of the Defined Contribution (DC) Section total	124	89	–	213

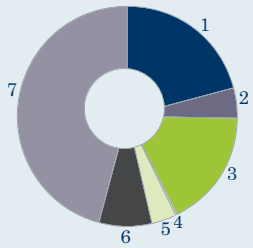
* *Retrospective Adjustments: membership movements recorded after 1 April 2011, which relate to the 2010/11 scheme year. For example, members with a retirement date prior to 1 April 2011 which were processed after the year end.*

***Includes 259 deferred members that are over Normal Retirement Age for whom the Scheme has had no address for over 6 years, despite a trace search having been performed. These members are therefore moved into a 'No liability' category because their benefits cannot be paid.*

Active members by Participating Employer

as at 31 March 2012

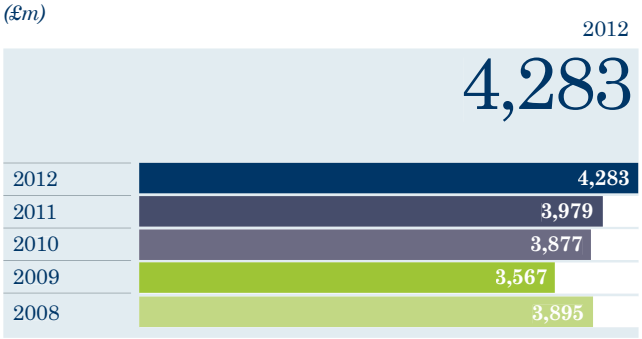
1 Eurotherm Ltd	173
2 IMServ (Europe) Ltd	36
3 Invensys Controls UK Ltd	144
4 Invensys Pension Trustee Ltd	0
5 Invensys plc	28
6 Invensys Systems (UK) Ltd	64
7 Westinghouse Brake & Signal Holdings Ltd	378
Total	823



The year in Summary: Investment summary

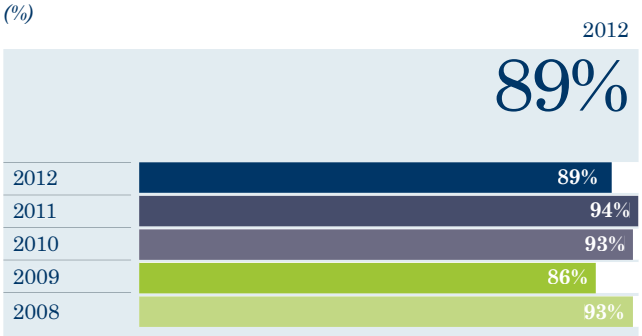
Value of pension fund

(£m)



Scheme funding level (Technical Provisions basis)

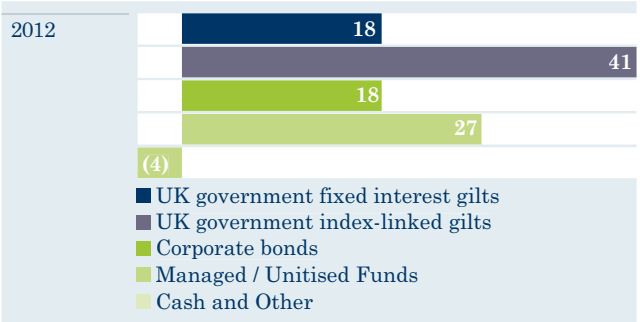
(%)



Based on the actuarial assumptions used for funding the Scheme

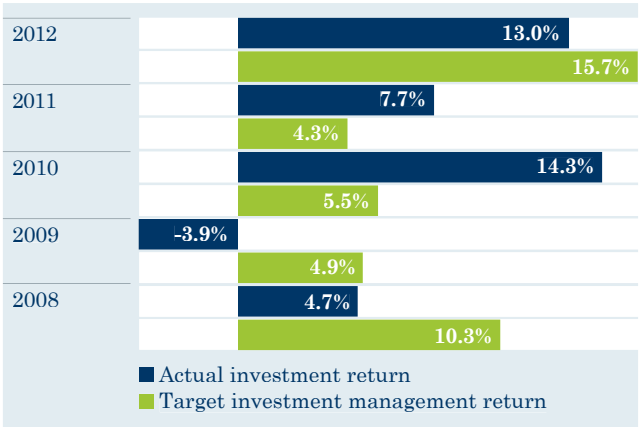
Distribution of investments by type

(%)



Annual investment returns

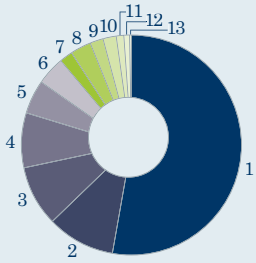
(%)



Distribution of investments by investment manager

(%)

1	BlackRock (Liability Matching Fund)	**53**
2	AXA	**10**
3	BlackRock (hedge funds)	**9**
4	GLG	**8**
5	AllianceBernstein	**5**
6	Stone Harbor Investment Partners	**4**
7	P-Solve Investment Limited	**2**
8	M&G	**3**
9	BNP Paribas	**2**
10	LGIM	**2**
11	Pioneer Investments	**1**
12	BlackRock (Fixed Income Global Alpha)	**1**
13	Protected Rights and AVCs	**0.1**



Trustees, the Board, committees, advisers and investment managers

Kathleen O'Donovan

Kathleen has been a member of the Board since 1991 and appointed Chairman in February 2003. As Chief Financial Officer of BTR and Invensys between 1991 and 2002 she has been deeply involved in the Scheme for many years. Previously a partner with Ernst & Young, Kathleen held a number of plc non-executive directorships during the year: at Prudential plc, from which she retired at 31 March 2012, ARM Holdings plc and Trinity Mirror Group 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. Steve was appointed to the Board in March 2006.

Eleanor Lowe

Eleanor is Head of Legal Services at Invensys plc, having joined the Group in 1999. 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.

Geoff Gayfer

Geoff is involved with the development of safety related software in the Research and Development division of Invensys Rail. He started his career as an electronic engineer in the telecommunications industry. He joined the Group in October 2002 and has been a member of the United Kingdom Pensions Consultative Committee ("UKPCC") since 2006. When a vacancy for a post on the Trustee Board arose, he was proposed by the UKPCC as a Member-Nominated Trustee to the Scheme in March 2008. He holds the PMI Award in Pension Trusteeship.

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 and is Deputy Chairman.

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 was also involved over a number of years in various Group Consultative Committees, and chairing a number of them. He was an Associate of The Pensions Management Institute. Martin retired from the Board in April 2012.

Tony Ferris

Tony is a Chartered Accountant who retired in 1999. He was Finance Director of Westinghouse Brake and Signal Holdings, served as Finance Director of Hawker Siddeley's Rail Division until 1991 and then as Group Controller of the BTR Rail Group. He was a Trustee of the Westinghouse pension schemes until they were merged with the BTR Group Pension Scheme in 1993 and was also Chairman of the South West Region's Pensions Consultative Committee.

Nigel Casson-Moss

Nigel spent 30 years as a Finance Director in the UK manufacturing industry. He became a Trustee Director of the T&N Retirement Benefits Plan in 1999. He subsequently became Pension and Benefits Manager for the T&N Group in 2001. He joined Invensys Pensions in January 2004 as General Manager, working for the Trustee Board, with executive responsibility for the Scheme, including the Administration Office in Newcastle. Nigel retired in September 2008, and was elected as a Pensioner Director of the Invensys Pension Scheme in February 2010.

The Board comprises eight Directors, three Company-Nominated Directors (a vacancy existed as at 31 March 2012) and five Member-Nominated Directors ('MNDs'). Of the five MNDs, four are Pensioner members and the remaining one is an Active member. The Company nominates its representatives and is responsible for appointing the Chairman from the total Board. The MNDs are selected following a nomination process by their respective groups as detailed on page 14.

Board members appointment at 31 March 2012:

Appointed by Invensys plc

K A O'Donovan (*Chairman*)

S C McDonnell

E K Lowe

Appointed by the UKPCC

G R Gayfer

Pensioner Directors

I R Fyfe (*Deputy Chairman*)

M J Barker
(retired from the Board in April 2012)

A G Ferris

N B Casson-Moss

The Executive Office members at 31 March 2012 were

Robin Claessens (*Chief Executive Officer*)
Joined IPS from Goldman Sachs International where he spent over eight years advising corporations and their pension schemes as well as working for the bank's Corporate Treasury department. (appointed 14 October 2008)

Thomas Mercier (*Chief Investment Officer*)
Joined IPS from Goldman Sachs International where he spent over ten years advising corporations and their pension schemes, designing European credit market strategies and advising Telecom and Utility companies on debt financing and financial risk management. (appointed 1 November 2010)

Committee membership

Investment Committee

K A O'Donovan (*Chairman*)

I R Fyfe

N B Casson-Moss

A G Ferris

Governance & Audit Committee

N B Casson-Moss (*Chairman*)

G R Gayfer

S C McDonnell

E K Lowe

Company Liaison Committee

K A O'Donovan (*Chairman*)

I R Fyfe

A G Ferris

Nomination and Remuneration Committee

K A O'Donovan (*Chairman*)

I R Fyfe

N B Casson-Moss

In addition, there is an executive committee, the Asset and Liability Management Committee, of which R Claessens and T Mercier are members.

Changes to the Board in Scheme year

There were no changes to the Board or its members for the year ending 31 March 2012.

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

Scheme Actuary
S M Leake FIA, Punter Southall Limited

Scheme Administrator
Punter Southall Limited

Scheme auditor
Ernst & Young LLP

Legal advisers
Norton Rose LLP

Investment adviser
P-Solve Investments Limited

Employer covenant adviser
PricewaterhouseCoopers LLP

Investment managers
BlackRock Investment Management Limited
BlackRock Investment Management (UK) Ltd
AXA Investment Managers UK Limited
M&G Investment Management Limited
AllianceBernstein Limited
Pioneer Global Investments Limited
StoneHarbor Investment Partners
BNP Paribas Investment Partners
GLG Partners UK Limited
P-Solve Investments Limited
Legal & General Investment Management
Baillie Gifford

Custodians
BNY Mellon Broker Dealer Services B.V.
BNY Mellon

Bankers
Lloyds TSB Bank plc

Trustee's report

The Trustee's first responsibility is to members.

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

The Scheme is a registered occupational pension scheme that was established by a Trust Deed on 31 March 1988, consolidating the main BTR, Dunlop and Tilling defined benefit 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 Scheme was closed to new members on 1 November 2004 but remains open to future accrual for existing members, and the Company now offers new employees membership of a contract-based stakeholder pension scheme.

The Third Definitive Trust Deed and Rules were adopted on 28 March 2006. A Defined Contribution Section of the Scheme was introduced from 1 April 2007. The Fourth Definitive Trust Deed and Rules is currently being drafted by Norton Rose and is expected to be complete in Q4 2012.

The sponsoring employer of the Scheme is Invensys plc ("the Company").

Trustee arrangements

The Trustee of the Scheme is Invensys Pension Trustee Limited, a company limited by guarantee, which is a corporate trustee whose Board of Directors act together as Trustee 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 applicable laws and regulations, 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 have been prepared and audited in accordance with Section 41 of the Pensions Act 1995. They 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, the schedule of contributions, and, where appropriate, recommendations of the Scheme Actuary. During the year under review, the Board convened seven times, the Investment Committee (under delegated authority from the Board) six times and the Governance and Audit Committee four times.

Board structure

In accordance with the Articles of Association of the Trustee Company, the Board consists of a maximum of nine Directors. Three, in addition to the Chairman, are appointed by the Company; one is nominated by the UKPCC; four are Scheme pensioners. The appointing or nominating authority may also remove Directors from office. The Trustee may be changed by the Company.

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

Committee structure

The Board has established five Committees that meet regularly 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.

The Governance & Audit Committee considers the systems and processes relevant to the (non-investment) management of the Scheme and monitors the effectiveness of the Scheme's systems of financial management and internal control.

The committee also works with the Scheme's auditors and on behalf of the Board reviews the annual financial audit of the Scheme's accounts.

The Company Liaison Committee works directly with the Company on issues relating to Company policy and status, as well as negotiating Scheme funding issues.

The Nomination and Remuneration Committee evaluates the balance of skills, knowledge and experience at the Executive Office ("EO") including:

- consideration of the role and capabilities required at any given time;
- selection and proposal to the Board of suitable candidates of appropriate calibre for appointment to the EO;
- considering and approving the policy on the remuneration of members of the EO and its application; and
- monitoring and recommending the level and structure of remuneration for the EO.

The Committee comprises three Trustees, including the Chairman and meets at least annually.

The Asset and Liability Management Committee ("ALCo") is comprised of the CEO and CIO (appointed in accordance with the Statement of Investment Principles). The ALCo's responsibilities and delegated authority are primarily

1. the execution and implementation of the Investment Committee's investment decisions,
2. making investment decisions in areas specifically delegated to the ALCo by the Investment Committee,
3. monitoring of and reporting on the Scheme's investment managers, custodians, collateral manager, investment performance, investment/ actuarial and legal advisers.

These Committees make regular reports and proposals to the Board, which authorises the actions taken.

Actuarial valuation

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

The latest full triennial valuation was as at the effective date of 31 March 2011. In accordance with the Pensions Act 2004, the Trustee set the assumptions for the Scheme Actuary to calculate the Technical Provisions (the amount required by the Scheme to provide for the Scheme's liabilities on an on-going basis). These Technical Provisions were then agreed by the Company. The key assumptions that the Trustee determined and which were agreed by the Company for the 2011 valuation were as follows:

- A discount rate set to be the yield available on the nominal fixed interest gilt yield curve plus 1.0% p.a.;
- An RPI inflation assumption derived from nominal and real gilt yield curves;
- Following preliminary advice from the Scheme's lawyers (which is subject to a detailed review for each section), inflation-linked revaluations to pensions in deferment have been derived from the assumption for Consumer Price Inflation ("CPI") (compared to the Retail Price Inflation ("RPI") used at the 2008 valuation) in the light of the changes to statutory minimum revaluation. Similarly, statutory pension increases in payment to Post 88 GMP are also linked to the assumption for CPI;
- The CPI assumption has been derived by making a suitable adjustment to the RPI inflation assumption. A deduction of 0.5% per annum has been used for this valuation, which reflects a prudent adjustment given observed past levels and future expectations. The assumption could not be derived directly as there is currently no reliable market-based method for deriving an assumption for CPI price inflation;
- Pension increase assumptions based on the relevant inflation assumption and a model to allow for the pension increase collars and future inflation volatility of 1.5% per annum;
- The pre-retirement mortality table has been updated to the AC00 tables compared to the A92 tables used in the 2008 valuation;
- A post-retirement mortality assumption of the S1PA tables, with a loading of 103% for males and 113% for females, projected in line with the Continuous Mortality Investigation's Model (CMI_2010) for future improvements with a 1% per annum long term rate of improvement.

In respect of the remaining active defined benefit members (699), the Company will continue making regular contributions of 19.8% of payroll, in addition to the 13% contributed by the members.

The Company has also agreed to continue to make special contributions of 8% of the net proceeds of any business sold (above £1m), or, in the case of a sale of a Participating Employer, the higher of:

1. 8% of the net proceeds of the sale or
2. the S75 debt provision, subject to any Pensions Act requirements.

The agreed assumptions gave rise to a funding deficit of £235m.

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 has agreed a Recovery Plan with the Company, setting out the funding to meet the Technical Provisions and thereby eliminate the deficit.

This Recovery Plan committed the Company to continue to pay the series of deficit funding contribution originally agreed following the 2008 valuation as laid out on pages 37 and 38.

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 the data protection law and the Audit Commission will process the data for this purpose only.

The Trustee has a duty to provide benefits only in accordance with the provisions of the Scheme Rules. These reviews are completed and are dealt with sensitively to ensure any genuine misunderstandings by relatives of the deceased pensioners are satisfactorily resolved.

If after reviewing the information and data supplied about individual cases it appears that a pension may have been fraudulently claimed or information provided 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. The Trustee, via its Third Party Administrator, 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
Punter Southall at
Punter Southall Ltd
Wellbar Central
Gallowgate
Newcastle upon Tyne
NE1 4TD

Phone: +44 191 206 1035
e-mail: invensyspensions@puntersouthall.com

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 Representatives to form the United Kingdom Pensions Consultative Committee (UKPCC), which meets at regular intervals. At each meeting, Scheme management updates members on current Scheme issues including funding and investment performance. A very important role of the UKPCC is to nominate one of its Members' Representatives to become a Director of the Trustee.

The UKPCC members at 31 March 2012 were:

Martin Barker: Chairman (retired)

Members' Representatives	
Robert Donarski	Eurotherm Ltd
Geoff Gayfer	Invensys Rail
Ceri Gosling	Invensys Rail
Lynda Manning	IMServ (Europe) Ltd
Gordon Park	Invensys plc
Mike Sweet	Invensys Controls UK Ltd
Colin Townsend	Invensys Systems (UK) Ltd
Company Representatives	
Tony Crilly	Invensys Operations Management
Jo Hombal	Invensys Rail
Nigel Johnson	Invensys plc

The UKPCC was in the process of selecting a new chairman as this report went to print.

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. When a vacancy arises on the Trustee Board, the UKPCC is asked to put forward names of likely candidates from the pool of Active Members' Representatives. Interviews are undertaken by the Governance & Audit Committee and a recommendation for the new Director is made for final approval by the Trustee Board.

When a vacancy arises for a Pensioner Director, any retired member of the Scheme in receipt of a pension from the Trustee may put him/herself forward and his/her candidature must be supported by nominations from two other Pensioner members who are in receipt of a Scheme pension. A selection process will then be carried out by the Governance & Audit Committee and final approval given by the Board.

Trustee training, knowledge and understanding

A Trustee training programme is in place, which takes account of the particular needs of each Board member and the Committees on which they serve. Newly appointed Directors undertake a comprehensive induction programme. The Board's Training policy then requires each Director to undertake a number of days training each year based on their experience and requirements.

The members of the Investment Committee receive detailed training on investment strategy and related matters. The Chairman receives additional development from her external board positions, covering the company sponsor covenant, accounting requirements, the annuity market, asset management, economic factors and retirement/longevity trends.

A training session is undertaken by all Directors on a relevant topic at each quarterly Board meeting.

The Board also uses external training courses and seminars. Directors are encouraged to undertake the "Trustee Toolkit" training provided by the Pensions Regulator as well as the PMI Trustee Certificate of Essential Knowledge.

Trustee Director	*Total Training Days 01/04/11 – 31/03/12*
K A O'Donovan	3.50 days
S C McDonnell	3.50 days
E K Lowe	2.50 days
G R Gayfer	5.75 days
I R Fyfe	6.00 days
M J Barker	1.00 days
A G Ferris	3.50 days
N B Casson-Moss	5.50 days

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.

Trustee attendance

Trustee Directors: attendance for year to 31 March 2012

	Trustee Board	*Investment Committee*	Governance & Audit Committee
Number of meetings/calls held	7	6	4
K A O'Donovan	7	6	*
S C McDonnell	7	*	4
E K Whitfield	7	*	4
G R Gayfer	6	*	4
I R Fyfe	7	6	*
M J Barker**	5	*	1
A G Ferris	7	6	*
N B Casson-Moss	7	6	4

* *The director is not a member of that Committee and attends as invitee only.*
** *M J Barker retired as a member of the GAC in Summer 2011.*

During the year ended 31 March 2012 the following payments were made:

Chairman – receives an annual salary of £72,431.

Pensioner Directors – receive a per diem rate.

Company Nominated Directors – are remunerated by the Company.

Member Nominated Director – is remunerated by the Company.

Communication

The Board ensures that all members are communicated with on a regular basis. During the year the Scheme issued two newsletters and an Annual Review of the Scheme. 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 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.

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.

Scheme governance

The Scheme's governance is defined as the structure, behaviour, policies and procedures adopted by the Trustee in pursuit of its objectives. It includes:

- Holding the assets securely on trust, employing a custodian for their safeguard and investing them appropriately given the Scheme's specific circumstances;
- Monitoring the Company covenant risk;
- Ensuring that the Scheme's liabilities are fully understood and its data accurate and reliable;
- Monitoring the balance between assets and liabilities and, jointly with the Company, making provision to meet the future costs of the Scheme;
- Monitoring the other risks which would result in the assets not being sufficient to meet the liabilities;

- Ensuring that the correct levels of benefits are being paid on time to members;
- Ensuring that benefits are paid to the correct members;
- Ensuring the appropriate level of communication with its members and the Company is performed with an appropriate frequency;
- Ensuring the Scheme complies with the complex framework of law and regulations applicable to the UK pension scheme industry.

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

The management of 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.

As part of its overall risk management responsibilities, the Trustee uses a "Risk Register" as a tool to oversee the key risks to the Scheme, covering areas such as:

- Pension administration;
- Corporate sponsor;
- External factors impacting the Scheme's investments;
- Internal factors impacting the Scheme's investments;
- Scheme funding and valuation.

The Trustee has delegated the oversight of the management of investment risks to the Investment Committee – see the Investment Report for more details.

The Trustee has delegated certain non-investment governance-related matters to the Governance & Audit Committee (GAC). This involves ascertaining that the Scheme complies with Scheme rules and statutory regulations and reviewing the existing processes and procedures of the Scheme to ensure they are well documented, relevant and effective.

The GAC also oversees:

- The Scheme's annual budgeting process and the triennial business planning by the Executive Office;
- The Annual Report process;
- The review of the performance of the Trustee (and its committees), its advisers and the Executive Office;
- The review of the performance of the Scheme's third-party administrator;
- The review of the Executive Office's annual communication strategy.

Audit function and processes

A financial audit is performed annually by the Scheme's auditors, Ernst & Young. The Governance and Audit Committee has oversight on the audit process, from the signing of the engagement letter to the presentation of the accounts to the Board for its approval.

Compliance statement

The Scheme is a registered pension scheme and the Trustee knows of no reason why such status 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 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 Trust Deed and Rules are available to members on request to Invensys Pensions. Please note that an appropriate copy charge will be made.

To consolidate further legislative and Scheme developments, a Fourth Definitive Trust Deed and Rules is planned. Work is expected to finish on this project by 31 March 2013.

Contributions

The Trustee collects contributions from employers who participate in the Scheme. These separate payrolls have been run from one location by NorthgateArinso, a payroll service provider to the employer.

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 12 April 2012 and became effective from that date. The Summary of Contributions is shown on page 39 which shows contributions payable per the pre-existing Schedule of Contributions.

Pension increases and transfer values

Under the Scheme Rules pensions in payment (except for the Guaranteed Minimum Pension (GMP) portion which receive statutory increases in line with Pension Increase Orders published by HM Government) are increased annually by reference to the percentage change in inflation 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%. The increase applying to the majority of pensions on 1 April 2011 was 4.8%.

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 exceeded inflation and the position of longer-retired pensioners has been additionally enhanced.

Statutory cash equivalent transfer values are calculated in accordance with the provisions of Part IV Chapter IV of the Pensions Scheme Act 1993 as amended by the Pensions Act 1995 and the Pensions Act 2004 with relevant Regulations and guidance issued by the Pensions Regulator on a basis determined by the Trustee after having taken advice from the Scheme Actuary.

There were no discretionary increases or benefits allowed for in the calculation of transfer values for the year ending 31 March 2012.

Disputes and complaints procedure

Invensys Pensions operates an Internal Dispute Resolution Procedure ("IDRP") 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 complaint was received by Invensys Pensions on behalf of the Trustee. Details of the Scheme's IDRP are available from Invensys Pensions.

For and on behalf of Invensys Pension Trustee Limited

Signed:
Kathleen O'Donovan
Chairman
8 August 2012

Investment report

Reliable investment performance.

The Trustee aims to secure members' future benefits by reducing risk and delivering consistent and reliable investment performance.

The Invensys Pension Scheme is a mature scheme with only c. 800 active members out of total members of c. 83,000, which means it is a substantial net payer of benefits (i.e. it pays more out in benefits than it receives in on-going contributions), therefore eroding its asset base naturally every year. The extent of its maturity can be measured in the net payments made each year: approximately £190m or 4.5% of its asset base in 2012. This means that since 2006, the Scheme has paid out the equivalent of over a £1bn more than it has received while still managing to end the year with the highest asset value in a decade, and retaining a relatively low risk investment strategy.

Scheme Investment Strategy

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

The Trustee's investment policy for the Scheme's DB section is to achieve a long term strategic return, the Strategic Target, which over the life of the Scheme is expected to be equivalent to the return implied by the Technical Provisions: that is, UK government Gilt yields + 1.0%. This target is primarily driven by the Scheme's profile (nature of the liabilities, structure of the membership base), the Trustee's overall risk tolerance and the Trustee's evaluation and perception of the Company's covenant.

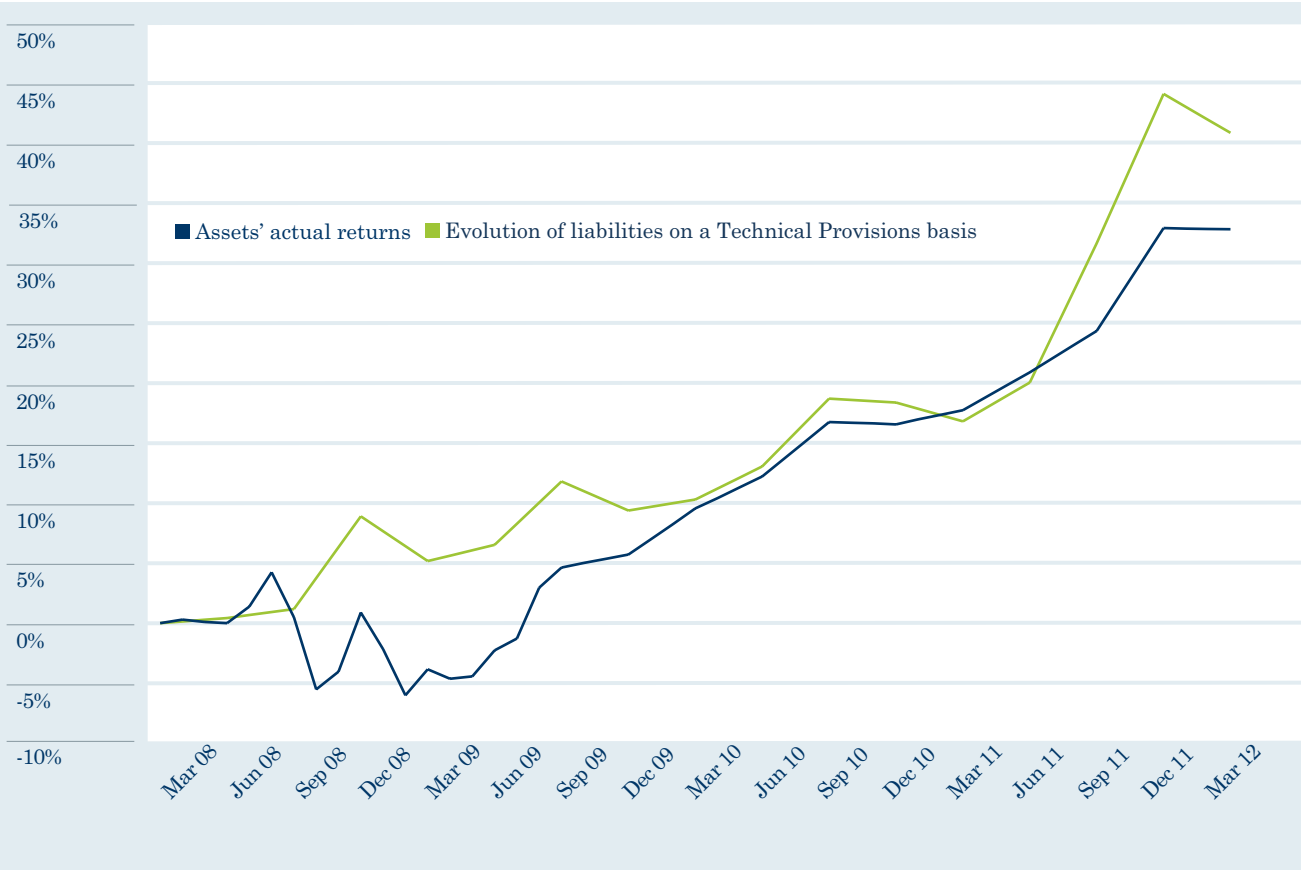
Setting the Strategic Target allows the Trustee to derive a Strategic Asset Allocation (SAA), the implementation of which will aim for the assets of the Scheme, over the long term, to perform in line with the liabilities measured on a Technical Provisions basis.

At the investment level, the Trustee sets specific performance targets to each underlying investment manager which, by their nature, have shorter horizons than the Strategic Target. The aggregation of these specific targets determines the Scheme's Investment Manager Target.

Year over year, the Investment Manager Target might be above or below the Strategic Target. The Trustee is responsible for:

1. Long term monitoring of the performance of the assets against the Strategic Target (equivalent to Technical Provisions) – see chart opposite.
2. On-going monitoring of the performance of the assets against the Investment Manager Target (see Investment Managers Performance section).

Evolution of the Scheme's assets and liabilities



The Scheme's investment strategy and objectives, together with full details of the investment process are set out in the Statement of Investment Principles. This document is updated regularly and the latest version was agreed in June 2011. A copy is available to members of IPS.

Strategic Asset Allocation

The Trustee has, as much as it is able to, invested in assets that have a profile that is closest to that of the liabilities, namely bonds or "bond-like" assets. This has been an on-going policy of the Trustee over the last ten years, with a significant increase in these matching assets from 2006 and 2007. This allows the assets to better match, to a large extent, the valuation movements in the liabilities, thereby reducing the Scheme's funding position volatility. Currently, the Trustee is not able to fully match the liabilities of the Scheme with its assets because of i) its deficit, but mainly given ii) the limit imposed by the Corporate Sponsor whereby the assets of the Scheme must target a performance return equal to the discount rate used for the valuation of the liabilities on a Technical Provisions basis, currently Gilt yield + 1.00%.

The Scheme's investments are classified in three categories:

1. A Liability Matching Fund ("LMF"), of which the core purpose is to mitigate the Scheme's interest rate and inflation risks. The LMF is composed exclusively of assets perceived to have a relatively low risk: UK government bonds, bonds which have characteristics similar to UK government bonds, cash and cash equivalent instruments. BlackRock, the asset manager managing this portfolio, is also permitted to use derivative instruments, such as interest and inflation swaps, and Gilt repurchase agreements. The LMF currently represents 54% of the assets.

2. An Investment Portfolio ("IP"), which the core purpose is to access the risk premium of a diversified portfolio of return-seeking assets and to benefit from the additional performance available from active management, where considered appropriate. The IP regroups the previously called Active Bond Fund and Higher Performance Fund. It is comprised of mandates using primarily investment grade bonds (IG Bonds: AXA, M&G and GLG), representing 21% of total assets, a Fund of Hedge Funds and a Fixed Income Global Alpha Fund (Hedge funds: BlackRock), a Dynamic Asset Allocation mandate (DAA: BNP Paribas Investment Partners), 3 Broad Bond portfolios (AllianceBernstein, Pioneer, Stone Harbor) and a listed equity portfolio (LGIM), all representing 24% of total assets. The total IP currently represents 46% of the assets.
3. An Overlay Portfolio ("OP"), to
   (i) provide investment manager risk mitigation tools,
   (ii) serve as a safety valve against excessive or unbalanced capital markets risks incurred in the IP and allow the Scheme to hedge its "tail risks", and
   (iii) facilitate transitions. The OP has currently no capital allocated to it.

Investment Managers Performance

The assets are managed, under the guidance of the Trustee and its Investment Adviser, by independent investment managers. The Scheme's investment managers are continuously reviewed over 12- to 36-month rolling periods. Medium to long periods of review are essential, as it enables managers to be judged throughout a business cycle.

The investment managers' performance in any given year is expected to be a function of the capital markets environments and, to a varying degree, their capacity to navigate the markets to deliver good performance.

The year to 31 March 2012 saw significant volatility returning to capital markets. At one point during the year, the FTSE100 price index was down by 16% and bounced back to end the year down 2%. This was largely driven by an escalation of concerns over the financial situation of certain Eurozone countries into the broader questioning of the euro project as a whole. Relatively high level of debt both in the US and the UK and fears of weaker growth in China contributed to the overall gloom in the markets.

The "flight to quality" into UK Government Bonds combined with the Bank of England Quantitative Easing programme (i.e. their purchase of Gilts) meant that Gilt yields fell significantly during the year. This benefited strongly the LMF, which had a total return of 25.1%. This was below its target of 26.5%, which is based on swap rates, mainly because of relative movements between the Gilt yields and swap rates, and the fall in value of the Scheme's interest rate swaptions portfolio.

The performance of the Broad Bonds and Investment Grade bonds mandates was positive but slightly below their absolute return targets as the yield on these bonds widened reducing the income expected to be generated.

As markets shifted quickly between periods of optimism ("risk-on") and fear ("risk-off"), the timing of asset reallocation and, within this, the choice between "on-risk" and "off-risk" assets became more critical to performance. In this environment, the Dynamic Asset Allocation fund suffered most and underperformed its target by 11 percentage points (ppts). The performance among hedge funds was mixed with the Scheme Fund of Hedge Fund slightly up by 0.4ppts but still below its target and the Fixed Income Hedge Fund outperforming significantly its target.

In aggregate, total assets returned 13.0% over the year, against the Investment Managers Target of 15.7%.

Investment Managers' historical performance

Investment Manager	Style	Holdings at 31 March 2012 £m	Holdings at 31 March 2012 % of total	Investment return % pa 12 months to 31 March 2012 Actual %	Investment return % pa 12 months to 31 March 2012 Target %	Investment return % pa 3 years to 31 March 2012 Actual %	Investment return % pa 3 years to 31 March 2012 Target %
Liability Matching Fund (LMF)							
BlackRock (including swaptions)		2,296	53.5	25.1	26.5	14.7	14.3
Investment Portfolio							
AXA	IG Bonds	402	9.4	9.6	12.4	10.1	8.9
GLG	IG Bonds	94	2.2	(0.5)	0.9	14.1	0.8
M&G	IG Bonds	431	10.1	0.5	1.4	4.9	1.2
LGIM	Equity	158	3.7	(0.1)	(0.1)		
BlackRock (FoHF)	Hedge funds	202	4.7	0.4	5.5	10.1	5.4
BlackRock (FIGA)	Hedge funds	66	1.5	21.1	6.7	20.6	6.7
AllianceBernstein	Broad bonds	83	1.9	3.8	4.0	11.4	3.9
Pioneer	Broad bonds	135	3.2	3.7	4.0	23.2	3.9
Stone Harbor	Broad bonds	36	0.8	(0.8)	4.0	14.7	3.9
BNP Paribas Investment Partners	DAA	334	7.8	(5.7)	5.0	3.7	4.9
Investment Portfolio		**1,941**	**45.3**	**2.1**	**4.6**	**NA****	**NA ****
Overlay Portfolio		**0**	**0**	**NA**	**NA**	**NA**	**NA**
Managed Assets*		**4,237**	**98.9**	**13.0**	**15.7**	**11.7**	**8.4**
Protected Rights/AVCs		25	0.6				
Net Financial assets (note 11)		**4,262**	**99.5**				
Net Current Assets		21	0.5				
Net Assets of the Scheme		**4,283**	**100.0**				

Numbers above may not exactly compute due to rounding differences.

* *The three-year performance for Managed Assets is calculated using the total assets figures, not by portfolio (the LMF and IP have been in existence for less than three years). The five-year performance is 4.5% pa.*

** *Performance for the IP is shown for the 12 months to 31 March 2012. Aggregate performance for the three-year period is not shown, because the separation between LMF and IP was first made effective 1 September 2009.*

- *The target for the IP and the Managed Assets reflects the aggregates of the manager's targets.*
- *Three-year performance of BlackRock includes their performance prior to creation of the LMF, during which period the mandate included both liability matching and credit aspects. BlackRock performance also includes the swaptions portfolio from its inception on 28 July 2011.*
- *Three-year performance of AXA and M&G include these managers' performance in the Matching Fund prior to creation of the IP.*

Key initiatives performed during the year

During the year, the Scheme continued to focus its efforts on enhancing its investment and risk management capabilities. Key initiatives included:

Overall review of Investment Strategy: the Investment Committee held its Investment Strategy Day in March 2012. This included

1. a review of the Scheme's key sources of investment risks,
2. an analysis of future funding levels under different scenarios, and
3. a review of the segments of the Investment Portfolio which are expected to most influence the Scheme's funding level.

- *Implementation of an Asset and Liability risk management platform:* the Scheme completed the setup of PFaroe, the asset and liability risk monitoring platform developed by PensionsFirst, which the Scheme acquired in 2011. This platform allows the EO to further improve its risk management framework by providing timely, comprehensive and precise tools to analyse its asset and liability positions.
- *Design of a Repo framework:* the Trustee approved the design of the new Repo framework and its implementation and use by Blackrock, the Scheme's LMF manager. This reinforces the set of instruments available to the Trustee, through BlackRock, to mitigate interest rates, inflation and liquidity risks.
- *Design and Implementation of a new Liquidity Policy:* the Scheme implemented a new policy to manage its liquidity requirements. This policy was designed to ensure that the Scheme can meet its cash outflows, primarily benefit payments, over three-year rolling periods without being forced to sell assets.

Custody arrangements

Trust law and the Pensions Act 1995 impose specific duties 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. Its provider from 1 September 2006 has been BNY Mellon Asset Servicing B.V. In the case of the Fund of Hedge Funds, this work is undertaken by a separate branch of the custodian based in the United States.

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

The administrative functions of the custodians include the settlement of transactions, the collection of income arising from the investments, recovery of any tax paid that is 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 custodial arrangements on a continual basis. The custodians are required to publish a report on their 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 is shown in the Notes to the Scheme's Financial Statements on pages 31 to 33. 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 66 active members with an AVC account. There were also 1,411 deferred members with AVC accounts. Details of the value of a member's AVC fund are provided annually on individual statements.

Statement of Trustee's responsibilities

The Scheme's Trustee is responsible for obtaining audited financial statements in accordance with applicable law and United Kingdom 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 whether the financial statements have been prepared in accordance with the Statement of Recommended Practice 'Financial Reports of Pension Schemes' (revised May 2007).

The Trustee has supervised the preparation of the financial statements and has agreed suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis.

The Trustee is responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates of contributions payable to the scheme by or on behalf of the employer and the active members of the Scheme and the dates on or before which such 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 monitoring whether contributions are made to the Scheme by the employer in accordance with the Schedule of Contributions. Where breaches of the schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to the Pensions Regulator and the Members.

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 them to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

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 31 March 2011 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses the method and assumptions determined by the Trustee of the Scheme and set out in the statement of funding principles dated 12 April 2012.

Steve Leake
Fellow of the Institute of Actuaries
Punter Southall Limited
Tempus Court
Onslow Street
Guildford
Surrey
GU1 4SS
13 April 2012

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

We have audited the financial statements of the Invensys Pension Scheme for the year ended 31 March 2012 which comprise the fund account, the net assets statement and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Trustee, as a body, in accordance with regulation 3(c) of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Trustee those matters we are required to state to them in an 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 explained more fully in the Statement of Trustee's Responsibilities set out on page 23, the Scheme's Trustee is responsible for the preparation of financial statements which show a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Scheme's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trustee; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the Financial Statements

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 March 2012, and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3 of, and the Schedule to, the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Ernst & Young LLP
Statutory Auditor
London
8 August 2012

Fund account
For the year ended 31 March 2012

Contributions and benefits	Note	2012 £'000	2011 £'000
Contributions receivable	3	50,825	49,347
		50,825	49,347
Benefits payable	4	(229,165)	(223,354)
Payments to and on account of leavers	5	(4,661)	(4,497)
Administrative expenses	6	(8,375)	(6,362)
		(242,201)	(234,213)
Net withdrawals from dealings with members		(191,376)	(184,866)
Returns on investments			
Investment income	7	195,583	127,666
Change in market value of investments		314,712	168,695
Investment management expenses	8	(14,833)	(9,088)
Net returns on investments		495,462	287,273
Net increase in the fund during the year		304,086	102,407
Opening net assets of the Scheme at 1 April		3,979,001	3,876,594
Closing net assets of the Scheme at 31 March		4,283,087	3,979,001

Net assets statement
As at 31 March 2012

	Note	2012 £'000	2011 £'000
Investments			
Financial assets	9	5,808,315	5,173,776
Financial liabilities	10	(1,546,238)	(1,200,485)
Net financial assets	11	4,262,077	3,973,291
Fixed assets	13	4	93
Current assets	14	31,651	12,417
Current liabilities	15	(10,645)	(6,800)
Net assets of the Scheme at 31 March		4,283,087	3,979,001

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 page 24 of the Annual Report and these statements should be read in conjunction therewith.

These financial statements were approved by the Trustee on 17 July 2012

Signed on behalf of Invensys Pension Trustee Limited:

K A O'Donovan

I R Fyfe

Directors

8 August 2012

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 (revised May 2007), published by the Pensions Research Accountants Group.

2. Accounting policies

a Contributions

SMART (see Note 3), employers' and members' contributions are accounted for on an accruals basis at rates agreed between the Trustee and the employer based on the Schedule of Contributions. Members' additional voluntary contributions are accounted for on an accruals basis.

Employer deficit funding contributions are accounted for on an accruals basis, in accordance with the Schedule of Contributions under which they are paid. In the absence of any formal agreement contained in the Schedule of Contributions, they are accounted for on a receipts basis.

Augmentation contributions are accounted for in accordance with the agreement under which they are payable. In the absence of any formal agreement they are accounted for on a receipts basis.

b Investment income

Income from fixed interest securities, index-linked securities and cash is taken into account on an accruals basis, calculated on a daily basis.

Income arising from the underlying investments of the pooled investment vehicles that is reinvested within the pooled investment vehicles is reflected in the unit price. Such income is reported within the change in market value.

c Transfers

Provision is made in the financial statements in respect of transfers payable if member consent was given by 31 March 2012.

d Benefits

Benefits payable are included in the financial statements on an accruals basis when the member notifies the Trustee as to the type or amount of benefit to be taken, or where there is no choice, on the date of retirement or leaving. Pension benefits paid in respect of which annuity income is received are included within benefits payable.

e Investment manager fees

Investment manager fees are accounted for on an accruals basis. They are charged as a percentage of the portfolio valuation and as a percentage of the outperformance, if any, generated by the relevant managers with active management mandates.

f Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the Scheme year-end. Gains and losses on foreign currency investment and cash balances are shown in aggregate within the change in market value of investments to which they relate in the Fund Account.

Investment income denominated in foreign currencies is recorded by applying the spot exchange rate ruling at the date on which the income relating to the investment falls due.

g Investment assets

Listed investments are valued at closing prices on the recognised stock exchange as at the year-end, which are either the last quoted trade price or bid price depending on the market on which they are quoted.

Unlisted investments are stated at the Trustee's estimate of fair value based on advice of the investment manager or other appropriate professional adviser.

Pooled investment vehicles are valued at the closing bid price or, if single priced, at the closing single price.

Fixed interest securities are stated at a value, their clean prices, which exclude the value of interest accruing from the previous interest payment date to the valuation date.

2. Accounting policies continued

h Derivatives

Derivatives with an initial purchase price are reported as purchases. Those that do not have an initial purchase price but require a deposit, such as an initial margin to be placed with the broker, are recorded at nil cost on purchase.

Derivative contracts are included in the net assets statement at fair value. Exchange traded derivatives with positive values are included in the Net Assets Statement as assets at bid price, and those with negative values as liabilities at offer price.

i Futures

Open futures contracts are recognised in the net asset statement at their fair value, which is the unrealised profit or loss at the current bid or offer market quoted price of the contract, as determined by the closing exchange price as at the year-end.

Amounts outstanding in respect of the initial margin and any variation margin are shown within amount due to/due from brokers.

Amounts included in change in market value represent realised gains and losses on closed futures contracts and the unrealised gains and losses on open futures contracts.

j Options

Traded options are valued at the fair value as determined by the exchange price for closing out the option as at the year-end. Options which are over the counter contracts are valued at fair value using a pricing model, where inputs are based on market data at the year-end.

Changes in the fair value of the options are reported within the change in market value.

k Swaps

Swaps are valued at fair value, using pricing models which calculate the current value of future expected net cash flows arising from the swaps, for which the time value of money is taken into account. Interest is accrued under the terms relating to individual contracts. The Scheme uses Swaps mainly to hedge interest rate and inflation risks. Net receipts or payments on swap contracts are reported within change in market value.

l Repurchase Agreements

Where the scheme enters into a repurchase agreement (a "repo"), it receives a cash loan from the counterparty, which is collateralized by specific assets of the Scheme. The obligation to repay the loan is accounted for as a financial liability. The assets pledged as collateral are included in the Scheme's Net Assets and their change in market value and any related investment income is accounted for in line with standard practice. The assets pledged are not free to be otherwise used by the Scheme and their value is separately disclosed in Note 10.

The Scheme pays an interest on the cash borrowed to the repo counterparties and this is accounted for on an accrual basis in line with the terms of the respective contracts.

m Taxation

The Scheme is a "registered pension scheme" for tax purposes under the Finance Act 2004. The Scheme's income and chargeable gains are free of UK Income and Capital Gains tax and tax recoverable on the Scheme's income is treated as part of that income.

3. Contributions

	2012 £'000	2011 £'000
Employers		
Normal	859	878
SMART	8,416	8,955
Deficit funding*	39,000	38,000
Augmentation+	800	742
Other**	1,000	0
Members		
Normal	559	572
Additional voluntary contributions	142	148
Death benefit levy	49	52
	50,825	49,347

* *Deficit funding contributions were paid in accordance with the pre-existing Schedule of Contributions and are due to be paid until March 2017 under the new Schedule of Contributions.*

\+ *Augmentations relate to specific amounts paid by the Company to augment certain members' benefits.*

** *These contributions relate to the commitment by the Company to reimburse certain professional fees to the Scheme. Although required by the new Schedule of Contributions which became effective post year end, the Company had given a formal commitment to the Scheme prior to the year end. Consequently, the amount has been accrued in these financial statements.*

The Schedule of Contributions requires contributions to be paid to the Trustee by the participating employers or the Company by the 19th of the month following deductions.

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

SMART contributions refer to payments made by the employer on behalf of members under the salary sacrifice arrangement. This arrangement was introduced in April 2006.

The above figures include the following contributions relating to the Defined Contribution Section: £28* employer normal (2011 : £29*), £333* employer SMART (2011 : £355*) and £14* member normal (2011 : £15*).

All figures marked with an asterisk* are in 000's.

4. Benefits payable

	2012 £'000	2011 £'000
Pensions	212,694	206,973
Commutations and lump sum retirement benefits	15,430	14,867
Lump sum death benefits	1,041	1,514
	229,165	223,354

5. Payments to and on account of leavers

	2012 £'000	2011 £'000
Payments for members joining State schemes	68	(2)
AVC withdrawals	3,914	528
Individual transfers to other schemes	679	3,971
	4,661	4,497

6. Administrative expenses

	2012 £'000	2011 £'000
Administration and processing	2,672	2,264
Pension Protection Fund levy	1,998	1,941
Actuarial fees	1,123	812
Legal and other professional fees	2,396	1,191
Audit fee	90	66
Directors' fees	96	88
	8,375	6,362

Note: exceptional expenses of c. £1m were incurred following a project initiated by the corporate sponsor; these expenses were entirely reimbursed through additional contributions paid by the corporate sponsor.

7. Investment income

	2012 £'000	2011 £'000
Income from fixed interest securities	53,367	55,628
Dividends from equities	26	3,890
Income from index-linked securities	50,771	49,554
Income from pooled investment vehicles	0	73
Interest on cash deposits and margin accounts	17,179	10,621
Annuities received	1,053	840
Repo interest expense	(154)	0
Income from derivatives (swaps)	69,993	5,561
Other	1,895	1,499
VAT refund	1,453	0
	195,583	127,666

8. Investment management expenses

	2012 £'000	2011 £'000
Administration, management, custody	9,630	7,488
Performance related fees	5,203	1,600
	14,833	9,088

9. Investments – financial assets

	2012 £'000	2011 £'000
Fixed interest securities	1,513,573	1,463,323
Index-linked securities	1,742,840	1,330,765
Pooled investment vehicles	1,135,964	1,100,432
Cash instruments	95,718	72,328
Derivative contracts	1,002,221	724,948
Cash deposits	9,235	2,020
Other financial assets	297,859	469,043
AVC investments	8,647	8,996
DC Investments	2,258	1,921
TOTAL FINANCIAL ASSETS	5,808,315	5,173,776

9. Investments – financial assets continued

FIXED INTEREST SECURITIES	2012 £'000	2011 £'000
UK public sector quoted	742,647	494,266
Corporate quoted	766,651	964,729
Overseas public sector quoted	4,275	4,328
	1,513,573	1,463,323

INDEX-LINKED SECURITIES	2012 £'000	2011 £'000
UK quoted	1,742,840	1,330,765
	1,742,840	1,330,765

Included within investments above are assets of £469.7m available for use as collateral when required. As at the year end, £40.4m deployed as net collateral posted in favour of counterparties to derivative contracts open at the year end.

POOLED INVESTMENT VEHICLES	2012 £'000	2011 £'000
Fund of Hedge Funds	201,850	201,089
Managed funds other	920,334	885,534
Unit trusts other	13,780	13,809
	1,135,964	1,100,432

Pooled investment vehicles are all managed by companies registered in the United Kingdom.

Where the investments are held in 'managed and unitised funds', the change in market value includes expenses both implicit and explicit to the Scheme and any reinvested income, where the income is not distributed.

CASH INSTRUMENTS	2012 £'000	2011 £'000
Certificates of Deposit	95,718	72,328

DERIVATIVE CONTRACTS	2012 £'000	2011 £'000
Options	95,031	55,640
Futures Contracts	–	433
Swaps	907,190	668,875
TOTAL DERIVATIVE ASSETS	1,002,221	724,948

Derivative contracts outstanding

Swaps Duration	Nature	Notional Principal '000	Aggregate Asset £'000	Aggregate Liability £'000
3 – 5 months	Total Return Swaps	£121,911	452	–
9 months – 6 years	Credit Default Swaps	€152,600	123	2,310
4 months – 45 years	Inflation Swaps	£1,283,518	785,240	810,691
2 months – 50 years	Interest Rate Swaps	£1,260,651	121,375	126,393
			907,190	939,394

The notional principal of the Swap is the amount used to determine the value of swapped interest receipts and payments.

9. Investments – financial assets continued

Options Duration	Nature	Notional Amount £'000	Aggregate Asset £'000	Aggregate Liability £'000
24 – 31 months	Interest Rate Receiver Swaption	18,375	82,169	104,470
24 – 31 months	Interest Rate Payer Swaption	20,417	12,862	5,418
			95,031	109,888

The notional amount of outstanding contracts represents the value of underlying stock protected by the purchased options.

Futures Duration	Nature	Exposure £'000	Asset £'000	Liability £'000
3 months	Bond Futures	7,190	–	104

The economic exposure represents the notional value of stock purchased under the futures contract and therefore the value subject to market movements.

	2012 £'000	2011 £'000
Cash deposits		
Sterling	8,351	1,320
Foreign currency	884	700
	9,235	2,020
Other financial assets		
Accrued Interest and Dividends	21,856	22,789
Amounts due from broker	276,003	446,254
	297,859	469,043
AVC Investments (see note 12)	8,647	8,996
DC Investments	2,258	1,921

10. Investments – financial liabilities

	2012 £'000	2011 £'000
Derivative contracts		
Options	109,887	49,497
Swaps	939,394	685,082
Futures	104	–
Total derivative liabilities	1,049,385	734,579
Other financial liabilities		
Amounts due to broker	275,510	465,906
Liabilities under repurchase agreement	221,343	–
Total other financial liabilities	496,853	465,906
Total financial liabilities	1,546,238	1,200,485

10. Investments – financial liabilities continued

Repurchase Agreements

As at 31 March 2012

Nature	Underlying Investment	Term	Nominal £'000	Liability £'000
Repo Sell	UK Treasury Gilt	Less than 12 months	184,000	221,343

The value of the Gilts sold as part of the repurchase agreements was £216.3m as of 30 March 2012. To cover the difference between the repurchase value of the Gilts and their current value, the Scheme pledged £5.9m of Gilts to its "repo" counterparts.

11. Investments – Net Financial Assets

	As at 31 March 2011 £'000	Purchases at cost & derivative payments £'000	Sales proceeds & derivative receipts £'000	Market value movement £'000	As at 31 March 2012 £'000
Fixed Interest	1,463,323	1,047,543	(1,081,774)	84,481	1,513,573
Index Linked	1,330,764	311,252	(163,259)	264,083	1,742,840
Pooled Funds	1,100,433	121,875	(85,109)	(1,235)	1,135,964
Derivatives	(9,631)	17,311	(21,382)	(33,461)	(47,163)
Repurchase agreement liabilities	0	0	(221,344)	0	(221,344)
Cash Instruments	72,328	7,068,239	(7,045,406)	557	95,718
AVCs	8,996	134	(727)	244	8,647
DC Section	1,921	363	(69)	43	2,258
	3,968,134	8,566,717	(8,619,070)	314,712	4,230,493
Amount due to and from Brokers	3,137				22,349
Cash Deposits	2,020				9,235
	3,973,291				4,262,077

The change in market value of investments comprises all realised and unrealised gains or losses on investments up to the Scheme year end.

Transaction costs are included in the cost of purchase and sale proceeds. Transaction costs include costs charged directly to the Scheme such as fees, commissions, stamp duty and other fees. Net transaction costs in the year amounted to £nil, mainly due to commissions paid back to the scheme. Transactions costs in the year to 31 March 2011 were £287,000.

In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the Scheme.

12. Additional Voluntary Contributions (AVCs)

The Trustee offers active 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.

Members, where applicable, receive an annual statement confirming the amounts held to their account and the movement in the year.

12. Additional Voluntary Contributions (AVCs) continued

The number of contributing and deferred members participating and the aggregate amount of members' AVC and transferred in funds were as follows:

Members participating

	Prudential	Equitable Life	Other	Total
31 March 2011	935	551	71	1,557
31 March 2012	896	511	70	1,477

Funds

	Prudential £'000	Equitable Life £'000	Other £'000	Total £'000
Members' funds at 31 March 2011	4,779	2,931	1,286	8,996
Contributions/transfers in	125	–	9	134
Interest and bonuses	93	119	32	244
Withdrawals/transfers out	(316)	(372)	(39)	(727)
Members' funds at 31 March 2012	4,681	2,678	1,288	8,647

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

13. Fixed assets

	Fixtures & Fittings £'000	Office Equipment £'000	Computer Hardware £'000	Computer Software £'000	Motor Vehicles £'000	Total £'000
Cost Price:						
As at 1 April 2011	27	28	304	64	23	446
Additions	0	5	4	1	0	10
Disposals	(22)	(18)	(48)	(8)	(23)	(119)
As at 31 March 2012	5	15	260	57	0	337
Depreciation:						
As at 1 April 2011	5	15	254	56	23	353
Provided during the year	0	0	3	0	0	3
Disposals	0	0	0	0	(23)	(23)
As at 31 March 2012	5	15	257	56	0	333
Net Book Value:						
As at 31 March 2012	0	0	3	1	0	4
As at 1 April 2011	22	13	50	8	0	93

Note: The majority of fixed assets were transferred to Punter Southall as part of the transfer of the Scheme's administration services.

14. Current assets

	2012 £'000	2011 £'000
Pensions paid in advance*	16,987	0
Contributions due *(see note 16)*	1,847	860
Cash balances	12,265	11,371
Other debtors	552	186
	31,651	12,417

** Scheme year ended during a week-end and pensions were paid prior to the beginning of the month.*

15. Current liabilities

	2012 £'000	2011 £'000
Unpaid benefits	735	660
Accrued expenses	9,910	6,140
	10,645	6,800

16. Contributions due

	2012 £'000	2011 £'000
Contributions due from employer in respect of:		
Employer	794	804
Members	53	56
Employer (Other)	1,000	0
	1,847	860

The contributions due have been paid to the Scheme subsequent to the year-end in accordance with the Schedule of Contributions.

17. Employer related investments

There were no employer related investments at any time during the year within the meaning of section 40(2) of the Pensions Act 1995.

18. Related party transactions

Four Trustee Directors are in receipt of a pension from the Scheme and another is a deferred pensioner. These benefits are administered in the normal course of business in accordance with the rules of the Scheme.

Five Directors are in receipt of remuneration from the Scheme and the total sum is disclosed in Note 6. All Directors claim reimbursement of out of pocket expenses related to their duties.

At the date of this report, one was an Active member of the Scheme. His contribution arrangements are administered in the normal course of business in accordance with the rules of the Scheme.

Invensys Pension Scheme – April 2012 Recovery Plan

Introduction

The Recovery Plan has been prepared by Invensys Pension Trustee Limited ("the Trustee"), following agreement with Invensys plc ("the Founder"), and after obtaining the advice of Steve Leake, the actuary to the Scheme.

The actuarial valuation of the Scheme as at 31 March 2011 revealed that the Statutory Funding Objective was not met, i.e. there were insufficient assets to cover the Scheme's technical provisions, and there was a funding shortfall of £235m.

Steps to be taken to ensure that the statutory funding objective is met

1. Additional contributions to eliminate the shortfall

To ensure that the Statutory Funding Objective is met the Trustee and the Founder have agreed that the following additional contributions (Deficit Reduction Contributions, DRCs) will be paid to the Scheme by the following dates:

Paid by	Amount
30 September 2012	£20.0m
31 March 2013	£20.0m
30 September 2013	£20.5m
31 March 2014	£20.5m
30 September 2014	£21.5m
31 March 2015	£21.5m
30 September 2015	£22.5m
31 March 2016	£22.5m
30 September 2016	£23.5m
31 March 2017	£23.5m

2. Contributions on the disposal of an Invensys Business

2.1. On the disposal of an Invensys Business (where Invensys Business is a trade, or company or companies carrying on a trade, that forms or form part or all of an Invensys Business Group) the Founder will contribute "Additional Disposal Contributions" (ADCs) to the Scheme. Each ADC shall be calculated as 8% of the disposal proceeds net of tax and disposal costs. However, where an Invensys Business is sold that includes the sale of a participating employer, the 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.

2.2. Where an Invensys Business is sold that does not include a participating employer, and the proceeds of sale are less that £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 above, ADCs previously paid under clause 2.1 and the ADC in question does not exceed £235m. This clause 2.3 will not apply if the ADC is a debt on a participating employer.

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 as Invensys Process Systems, Wonderware, Invensys Rail Systems, Invensys Controls and Eurotherm.

Invensys Pension Scheme – April 2012 Recovery Plan continued

Recovery Period

The Trustee expects that the funding shortfall will be eliminated in five years from the date of this Recovery Plan, i.e. by 31 March 2017. This is based on the following assumptions:

- The technical provisions calculated in accordance with the method and assumptions set out in the April 2012 Statement of Funding Principles.
- The return on existing assets and future contributions during the period as set out in the April 2012 Statement of Funding Principles for the calculation of technical provisions.
- There are no future business sales in the period.

It is expected that half of the additional contributions above will be paid in three years from the date of this statement, i.e. by 31 March 2015.

Signed on behalf of Invensys Pension Trustee Limited

Kathleen O'Donovan
Director
12 April 2012

Signed on behalf of Invensys plc

David Thomas
Director
12 April 2012

Summary of contributions

Invensys Pension Scheme

Summary of contributions payable during the year ended 31 March 2012

During the year ended 31 March 2012 the contributions payable to the Scheme under the Schedule of Contributions were as follows:

	£'000
Employer SMART contributions	8,416
Employer normal contributions	859
Employer deficit contributions	39,000
Employee normal contributions	559
Death benefit levy	49
Total contributions under Schedule of Contributions	48,883
Augmentations	800
Employee additional voluntary contributions	142
Other contributions*	1,000
Total contributions per note 3 of the financial statements	50,825

The employer's deficit contributions relate to specific lump sum amounts to be paid in accordance with the Recovery Plan and additional funding arrangements proposed by the Company.

Under the Schedule of Contributions dated 4 December 2008, Employer contributions were paid at a rate of 19.8% of members' Pensionable Pay.

**Although effectively paid post year end by the Company, the Company gave a formal commitment to reimburse the Scheme for certain professional fees being incurred during the year 2011/2012 and consequently, the related contributions have been accrued in the 2012 financial statements.*

Signed on behalf of the Trustee

K A O'Donovan
Chairman
8 August 2012

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 could have been expected on 31 March 2011 to be met by the end of the period specified in the recovery plan dated 12 April 2012.

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 12 April 2012.

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 certification 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.

Steve Leake
Fellow of the Institute of Actuaries
Punter Southall Limited
Tempus Court
Onslow Gardens
Guildford
Surrey
GU1 4SS
13 April 2012

Independent Auditor's Statement about contributions 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 2012 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 them in an auditor's 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 more fully in the Statement of Trustee's Responsibilities, set out on page 23, 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 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 active members of the Scheme and for monitoring whether contributions are made to the Scheme by the employer in accordance with the Schedule of Contributions.

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

Scope of work on statement about contributions

Our examination involves obtaining evidence sufficient 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 Schedule of Contributions. This includes 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.

Statement about contributions

In our opinion contributions for the scheme year ended 31 March 2012, as reported in the attached summary of contributions, have, in all material respects, been paid at least in accordance with the Schedule of Contributions certified by the scheme actuary on 12 January 2009.

Ernst & Young LLP
Statutory Auditor
London
8 August 2012

Members' information

Please keep the Scheme informed if you change your address. Forms can be obtained from Invensys Pensions or the website.

Scheme administration

Punter Southall Ltd
Wellbar Central
Gallowgate
Newcastle upon Tyne
NE1 4TD

Phone: +44 191 206 1035

Members who require further information about the Scheme or their own pension position should send a letter to Punter Southall at the above address.

The Scheme's website at www.invensyspensions.co.uk provides more detailed information on the Scheme for members who have access to the internet.

Events calendar

Date	Event
6 August 2012	Issue of Scheme Report and Accounts
February 2013	Issue of Winter 2012/2013 IPSNews
31 March 2013	End of Scheme financial year
August 2013	Issue of Summer 2013 IPSNews

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
Pensions and Retirement Planning www.direct.gov.uk/pensions
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 and 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 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.

Derivatives are investment assets and investment liabilities that derive their value from the price or rate of some underlying item.

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

Forward and Futures contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the OTC market. Futures contracts are transacted in standardised amounts on regulated exchanges and are subject to daily cash margin requirements. The main differences in the risk associated with forward and futures contracts are credit risk and liquidity risk.

Glossary
continued

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.

Futures is a contract between two parties to buy or sell a specified asset of a set quantity and quality for a price agreed today with delivery and payment occurring at a specified future date.

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 assumption made for the probability of death at each age which determines how long a pension will 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.

Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specific amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period.

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 to tax in a subsequent year, i.e. calculated on an "earned" rather than a "paid" basis.

Repurchase Agreement A repurchase agreement, also known as a repo, is the sale of, together with an agreement for the seller to buy back, the securities at a pre-agreed later date and price.

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.

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts. Interest rate swaps relate to contracts taken out by the Scheme with major brokers in which the Scheme either receives or pays a floating rate of interest in return for paying or receiving, respectively, a fixed rate of interest. The payment flows are usually netted against each other, with the difference being paid by one party to the other. In an inflation swap, the Scheme pays or receives a fixed inflation rate in return for receiving or paying the actual inflation rate.

Swaptions are contractual agreements that convey the right, but not the obligation, for the purchaser to enter into a swap, usually an interest rate swap, at a pre-agreed rate and for a pre-agreed tenor.

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.

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Revisit

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

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