



Invensys Pension Scheme

Trustee's Annual Report & Financial Statements 2014

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Trustee Charter

The Trustee will:

- Act in accordance with the Scheme's governing documents and the law.
- Act in the best interests of the members at all times, taking into account the position of each class of member.
- Act prudently, honestly, with integrity and in good faith having taken appropriate professional advice.
- Seek to 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

There are four parts to this review:

1. Executive summary
2. The year in summary
3. Our investment summary
4. The outlook

1. Executive summary

The year 2013/14 has seen a number of significant developments for the Scheme. This page summarises the main points.

The Company completed the sale of its Rail division

In early May 2013, Invensys plc (the Company) completed the sale of its Rail division to Siemens. As a result of this sale, the Scheme benefited from a cash contribution of £400m, which was invested into the fund on 3 May 2013. It also benefited from a Reservoir Trust of £225m, which was created by the Company to fund the Scheme in the future if necessary.

The Company became a subsidiary of Schneider Electric

On 17 January 2014, the Company became a subsidiary of Schneider Electric, a French-based multinational corporation that specialises in energy management. The Trustee held discussions with Schneider Electric, who agreed to provide incremental financial security to the Scheme. The terms of this agreement are detailed later in this report. However, they include the following points:

- Schneider Electric SA (re-registered as Schneider Electric SE on 19 June 2014), the parent company of the Schneider Electric group, provided a £1.75bn Guarantee to support the Scheme.
- The assets in the Reservoir Trust were split evenly between the Scheme and the Company, increasing the assets of the Scheme by approximately £105m
- Various arrangements between the Trustee and the Company came to an end
- The Trustee agreed arrangements for any section 75 debts that may arise before December 2015

Following the acquisition, Invensys plc was re-registered as Invensys Ltd. However, the relationship between the Scheme and the Sponsor (the Company) did not change.

The Scheme was in surplus by the end of the year

During the year, the Scheme's investments outperformed the strategic target. This helped to improve the funding position of the Scheme and the security of members. The outperformance of the Scheme's investments, combined with the £400m cash contribution and various other factors, mean that the Scheme was in surplus at the end of the year.

The outlook is positive

The agreement between the Trustee and Schneider Electric enhanced the Scheme's financial security during 2013/14. The Trustee is confident that the Scheme is well positioned to pay the pensions promised to its members.

2. The year in summary

This section summarises the year to March 2014. It builds on the points explained within the executive summary, providing additional detail.

Invensys plc sold its Rail division

In early May 2013, Invensys plc (the Company) completed the sale of its Rail division to Siemens. This was detailed in Trustee's Annual Report & Financial Statements 2013. As a result of this sale, the Scheme benefited from:

- **A cash contribution of £400m**
The £400m was invested into the Scheme on 3 May 2013. The assets are included in this year's accounts.
- **The creation of a Reservoir Trust of £225m funded by the Company**
This was available to fund the Scheme in the future, if necessary.

Chairman's review

continued

The Company became a subsidiary of Schneider Electric

On 11 July 2013, the Company announced that it had received a takeover offer from Schneider Electric SA. Schneider Electric's market capitalisation at 31 March 2014 was c £30bn and it had a credit rating of A-.

The Company became a subsidiary of Schneider Electric on 17 January 2014, when the transaction completed.

Schneider Electric agreed to provide incremental financial security to the Scheme

During the takeover, the Trustee discussed the following with Schneider Electric:

- the future funding arrangements for the Scheme
- the implications for the sponsor covenant
- the nature of any extra support that might be available from Schneider Electric following completion of the Offer

The outcome of the discussions was an agreement between the Trustee and Schneider Electric. Under this agreement, Schneider Electric provides incremental financial security to the Scheme.

If the Trustee had not negotiated this agreement, the Scheme would not automatically have had any formal recourse to the wider Schneider Electric group.

Terms of the agreement with Schneider Electric

The key terms of the agreement with Schneider Electric were:

- **Schneider Electric SA provided a £1.75bn Guarantee**
The parent company of the Schneider Electric group, Schneider Electric SA, agreed to guarantee the obligations of the Scheme's participating employers up to a maximum amount of £1.75bn.

- **The Reservoir Trust was split between the Scheme and the Company**

It was agreed that the Reservoir Trust would be terminated and the proceeds split evenly between the Scheme and the Company. This increased the assets of the Scheme by approximately £105m after the year end. It also increased the assets of the Company, which remains the Scheme Sponsor, by a similar amount.

The Scheme's share of the Reservoir Trust assets were transferred into the Scheme in April 2014. Because this was after the financial year end for the Scheme, the assets are not included within these financial statements.

- **Various arrangements between the Trustee and the Company came to an end**

In light of the Schneider Electric Guarantee, certain arrangements between the Trustee and the Company came to an end. These included the requirement that if the Scheme were in deficit, 8% of the proceeds from any sale of an Invensys business that is not a participating employer must be paid into the Scheme.

- **The Trustee agreed arrangements for any section 75 debts that may arise before 31 December 2015**

If a participating employer other than the Company ceases to employ active members on or before 31 December 2015, the Trustee has agreed in principle to assign any future section 75 debts to the Company. This is subject to statutory requirements.

If, in this period, the Company itself ceases to employ active members, the section 75 debt will be allocated to the remaining participating employers. However, the Company will guarantee those obligations.

Chairman's review

continued

The Scheme was in surplus by the end of the year

The combination of the £400m cash contribution, which followed the disposal of Invensys Rail, investments outperforming the strategic target and other factors means that the Scheme was in surplus on a technical provisions (TP) basis at the end of the year. This surplus was increased by a further £105m when the Scheme's share of assets in the Reservoir Trust were contributed to the Scheme. A summary of the estimated surplus/(deficit) is as follows:

£m	31 March 2011	31 March 2012	31 October 2012	31 March 2013	31 March 2014
Surplus/(deficit)	(235)	(548)	(478)	(445)*	16
Reservoir Trust assets due to the Scheme					<u>105</u>
Assets in excess of TP basis held following transfer in April 2014					121

* Updated from Summary Funding Statement (see Page 6). Previously reported as (£473m).

The financial security of the Scheme has improved

The improved funding position of the Scheme, combined with the £1.75bn Schneider Electric Guarantee, mean that the financial security of the Scheme is materially better than it has been for a number of years. Achieving this enhanced security for the Scheme was the primary focus for the Trustee during 2013/14.

The Scheme also undertook a number of other initiatives

Other initiatives the Scheme undertook included the decision to redeem the Scheme's Dynamic Asset Allocation mandate with BNP Paribas and to appoint Barings. Further details are provided later in my review.

The Company continues to sponsor the Scheme

The Company is the ultimate sponsor of the Scheme's liabilities. It provides the financial security that supports the level of risk that the Scheme is able to sustain in its investment policy. As a result, the Company and its financial position are critical to the Scheme.

After Schneider Electric acquired the Invensys group in January 2014, Invensys plc was re-registered as Invensys Ltd. However, the relationship between the Scheme and the Sponsor (the Company) stayed the same.

The Trustee will continue to review the strength of the covenant the Company provides. In light of the £1.75bn Schneider Electric Guarantee, the Trustee will now also assess the improved security afforded to the Scheme through the strength of the wider Schneider Electric group.

Details of the transaction with Schneider Electric

Schneider Electric acquired Invensys for £3.4bn. This was made up of 0.025955 new Schneider Electric shares and 372 pence in cash for each ordinary Invensys share.

The Schneider Electric Board made the Offer because they believed that the Invensys acquisition would generate significant revenue synergies. This would amount to approximately €400m per annum by 2018. They believed that integrating Invensys with Schneider Electric would result in:

- enlarged offerings
- complementary customer bases
- additional scale

The estimated impact on EBITA was approximately €65m per annum by 2018. On top of this, the Schneider Electric Board believed that Schneider Electric would be able to achieve cost savings of approximately €140m per annum by 2016. This came from:

- structural and administrative cost savings
- efficiency gains at country and regional levels
- synergies on procurement and production costs

The Schneider Electric Board also expected the transaction to generate one-off tax savings valued at approximately £400m.

Since the acquisition, Schneider Electric have announced an agreement to sell the Invensys Appliance division for £150m.

Chairman's review continued

Schneider Electric results for the first quarter

The first quarter results ending 31 March 2014 were the first to consolidate Invensys. Schneider Electric reported revenues reaching €5.7bn for the quarter, up 7.7% in total and 2.5% organically. For the fiscal year 2013/2014, Invensys reported to have order intake up 9% and improved profitability. Integration was reported to be on track.

Changes to the Trustee Board

Nathan Blackwell has joined the Trustee Board

I would like to welcome Nathan Blackwell to the Trustee Board. Nathan replaces Geoff Gayfer, who resigned following the sale of the Rail division to Siemens as he was no longer able to represent the UKPCC.

We have revised the membership criteria

Following Geoff Gayfer's resignation and in recognition of the changing membership profile of the Scheme, the Company and Trustee Board revised the membership criteria for the Trustee Board. The requirement for a UKPCC-nominated Director was replaced by an additional Director nominated by members, ideally from either the active or deferred member population. Following this change, we went through a selection process and interviewed the lead candidates. As a result, Nathan Blackwell, who is a deferred member, joined the Board.

3. Our investment summary

Our overall strategy

Now that the Scheme is in surplus, our overall strategy is:

- to reduce exposure to risk over time
- to increase security of members' benefits
- to maintain or improve the funding position of the Scheme in a way that controls risk

The Scheme's assets outperformed its target

In 2013/14, the Scheme's assets outperformed its strategic target by 2.5 percentage points (ppts). The strategic target took into account the impact of changing Gilt yields. Gilt yields increased over the year, reducing the value of Technical Provisions. As a result, the Scheme's strategic target was minus 3.4%. The fact that the assets outperformed expectations over the year helped to improve the funding position of the Scheme and the security of members' benefits.

During the year, the Investment Committee and the Executive Office (EO) focused on the following investment initiatives:

- Reviewing the Investment Strategy
- Investing the £400m contribution following the Invensys Rail division sale
- Ending the BNP Paribas Dynamic Asset Allocation mandate
- Reducing investment risk

You can find further details in the Investment Report.

Chairman's review continued

4. The outlook

The Scheme is well positioned for the future

The agreement between the Trustee and Schneider Electric has enhanced the Scheme's financial security during 2013/14. The improved funding level, along with the greater security provided by the Schneider Electric Guarantee, gives the Trustee confidence that the Scheme is well positioned to pay the pensions promised to its members.

We will continue to assess the financial security of the Scheme

Looking to the future, we will continue to assess the quality of the Covenant provided by the Company and the support provided by the Schneider Electric Guarantee. Schneider Electric have committed to provide the Trustee with all the information necessary to evaluate the Covenant provided to the Scheme.

At present, the Scheme does not require any future contributions from the Company, other than in respect of active members. We review the situation at least every three years. When we do this, we look at the experience of the Scheme and we take into account the performance of the assets. The next triennial valuation is scheduled for 31 March 2015. This will be carried out under a new code of practice. This takes account of the new statutory objective given to the Pension Regulator (tPR). This objective requires tPR to minimise any adverse impact on the sustainable growth of a scheme's sponsoring employer.

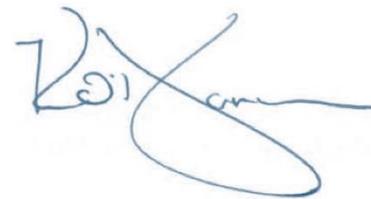
Throughout the period we will be continuing to monitor our investments closely. We will be looking for ways to deliver our target of Gilts + 1.0% per annum over the long term whilst managing investment risk.

We will consider the implications of this year's budget announcements

The 2014 budget announcements increase the flexibility and choices available predominantly for our DC members, but also have a number of impacts for our DB members. As always, we will endeavour to provide effective communication to our members on this and other relevant topics in our newsletter, Pensions News.

Thank you to the Board

Once again, the Board has had an eventful year. I would like to praise the Board members for their involvement, effort and enthusiasm. They have tackled an increasing number of technical issues and significant projects, 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

15 July 2014

Trustee's report: the year in summary

The accounts in brief

	£m
Fund value at 31 March 2013	4,488
Income	
Contributions paid by Invensys plc and Scheme members	411
Income and capital gains/(losses) from investments	(49)
Outgoings	
Benefits payable to members (pensions and lump sums)	(235)
Payments to leavers	(4)
Fees and expenses (administration, advisers, investment managers)	(20)
Fund value at 31 March 2014	4,591

Funding position

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

The last formal valuation was carried out at 31 October 2012, as a result of the sale of the Rail division. The amount required to cover the Scheme's liabilities is known as the Technical Provisions. In the 2012 valuation, the Technical Provisions amounted to £4,781m, giving a Scheme deficit of £478m and a funding level of 90%.

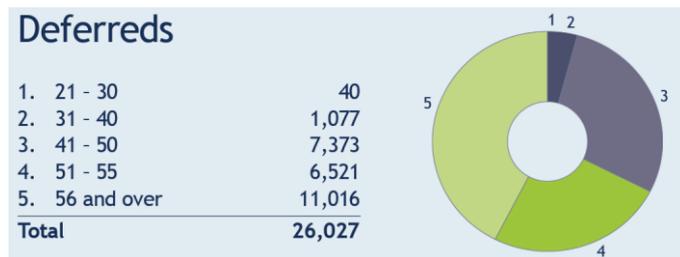
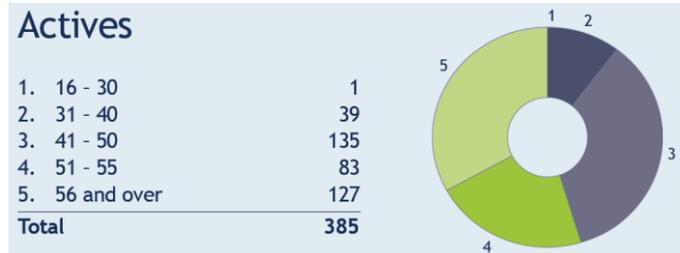
The Trustee continues to monitor the funding position of the Scheme to ensure the funding arrangements remain appropriate. The Scheme Actuary has produced his actuarial report, which gives an estimated funding position as at 31 March 2014. This reports a surplus of £16m compared with a deficit of £445m at 31 March 2013. The movements through the year which led to this improvement in funding position are set out below.

Estimated evolution of the Technical Provisions surplus/(deficit):

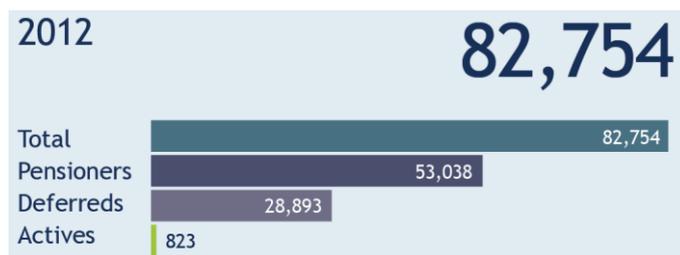
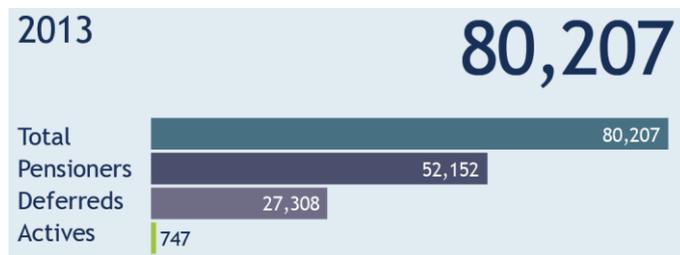
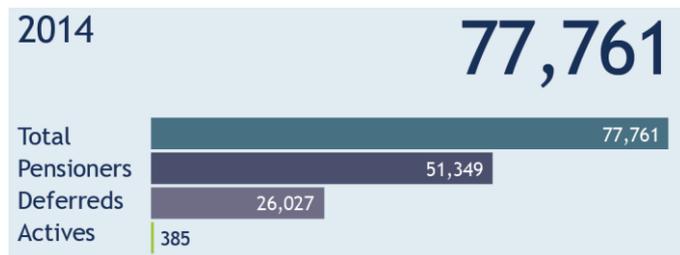
	£m
Surplus/(deficit) as at 31 March 2013 - previously reported	(473)
Revised estimate of changes in economic conditions and other factors included in Summary Funding Statement	28
Restated surplus/(deficit) as at 31 March 2013	(445)
Mitigation payments in respect of Westinghouse	405
Net return on investments	(62)
Effect of changes in economic conditions and other factors	118
Estimated surplus/(deficit) as at 31 March 2014	16

The year in summary: membership profile

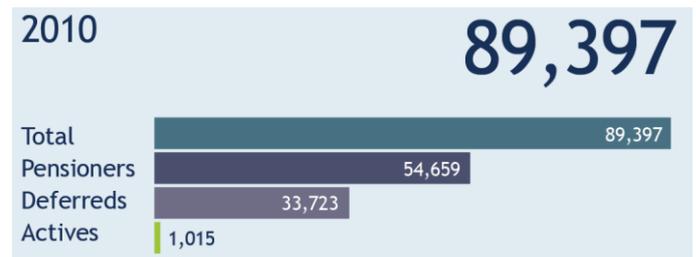
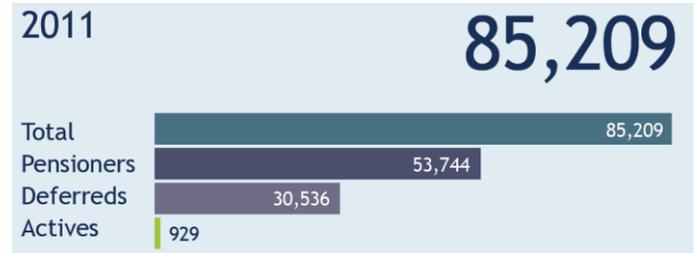
Age profiles at 31 March 2014



Number of members



Number of members continued



Changes in membership during year

	Actives	Deferreds	Pensioners	Total
At 31 March 2013	747	27,308	52,152	80,207
Retrospective adjustments*	(1)	(268)	72	(197)
New deferreds		342		342
Deaths	(1)	(64)	(2,902)	(2,967)
Retirements	(18)	(1,241)	1,259	0
Spouse/dependant pensions			805	805
Leavers	(342)	(50)	(37)	(429)
At 31 March 2014	385	26,027	51,349	77,761
Of which, members of the Defined Contribution (DC) Section total	76	128	-	204

* Retrospective adjustments: membership movements recorded after 1 April 2013, which relate to the 2012/13 scheme year. In addition 268 Westinghouse Brake & Signal Ltd members who transferred to Siemens in May 2013 were incorrectly included as deferred members in the table last year. An adjustment has been made to correct the previous year end figure.

Active members by Participating Employer as at 31 March 2014

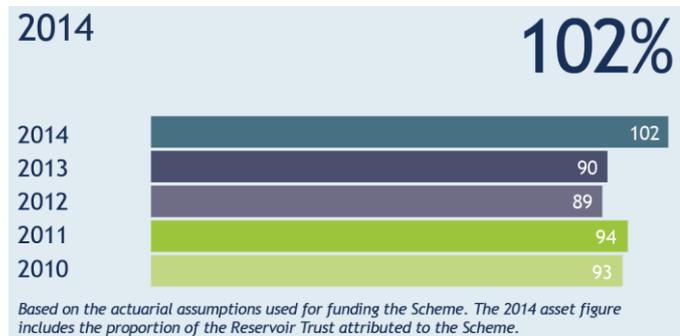


The year in summary: investment summary

Value of pension fund (£m)



Scheme funding level (%)



Distribution of investments by type (%)



Annual investment returns (%)



Distribution of investments by investment manager (%)



Trustees, the Board, committees, advisers and investment managers

Appointed by Invensys Ltd

Kathleen O'Donovan (Chairman)

Kathleen has been a member of the Board since 1991 and was 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 has held a number of plc non-executive directorships, including ARM Holdings plc, Prudential plc, the Bank of England and O2 plc.

Geoffrey Campion

Geoff is a Chartered Management Accountant. He retired from his position as the Chief Financial Officer of Invensys Rail in March 2011, having worked 22 years with the Company. Geoff previously served as a Trustee Director between 2003 and 2007 and has also been a member of the Pensions Committee for the Westinghouse Section of the Railway Pension Scheme since 2006. Geoff was re-appointed to the Board in February 2013.

Eleanor Lowe

Eleanor joined Invensys in 1999. She has held various positions at Invensys plc, including Business General Counsel for Invensys Rail and, more recently, Head of Legal Services. In 2013, Eleanor took up a role to support commercial compliance in the Major Projects team. 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.

Steve McDonnell

Steve is Vice President Tax for Schneider Electric. He was appointed following the acquisition, after joining the Company as Head of Group Tax in January 2005. Before this, Steve took on 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. He was appointed to the Board in March 2006.

Appointed by the UKPCC

Geoff Gayfer

Geoff was 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. Geoff resigned from the Board in May 2013, following the sale of the Rail Division.

Pensioner Directors

Ian Fyfe (Deputy Chairman)

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.

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.

Tony Ferris

Tony is a Chartered Accountant who retired in 1999. He was Finance Director of Westinghouse Brake & Signal Holdings. He also 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.

Peter Vos

Peter retired from Parker SSD Drives in 2012, a former subsidiary of Eurotherm, where he worked for 31 years. He is a Chartered Accountant and held a variety of senior financial roles there, until moving into general management to head up SSD Drives Europe for several years. After Eurotherm was bought by Invensys, he also worked as CFO at Baan in the Netherlands. As a Member-Nominated Trustee since February 2013, he brings substantial pension experience, having been a trustee of many of the schemes of his former employers.

General Membership Director

Nathan Blackwell

Nathan spent 12 years at Invensys' London HQ, where he was ultimately appointed as Director of Corporate Finance. After Invensys, Nathan joined Thales as UK M&A and Commercial Director. In both roles, Nathan worked on a number of pension initiatives and he brings that experience with him to the Board. Nathan was appointed to the Board in December 2013.

Trustees, the Board, committees, advisers and investment managers continued

The Executive Office members

at 31 March 2014

Andy Smith, Chief Executive Officer
appointed 3 December 2012

Andy joined IPS from Rothesay Life where he was CFO, having held that position since Rothesay Life acquired Paternoster, where he had been CFO since 2006. Before joining Paternoster, Andy worked in a number of roles in finance and marketing at Prudential plc.

Thomas Mercier, Chief Investment Officer
appointed 1 November 2010

Thomas 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.

Lin Ju, Investment Associate
appointed 1 March 2013

Lin joined IPS from Goldman Sachs International where she worked in the pension advisory group. Previously Lin worked in the financial strategy group at Mercer Limited.

Committee membership

	Investment Committee	Governance and Audit Committee	Nomination and Remuneration Committee	Company Liaison Committee
K A O'Donovan	✓ (Chairman)		✓ (Chairman)	✓ (Chairman)
N B Casson-Moss		✓ (Chairman)	✓	✓
A G Ferris	✓			✓
I R Fyfe	✓		✓	✓
G C J Campion	✓			
P B Vos		✓		
E K Lowe		✓		
S C McDonnell		✓		

There is also an executive committee known as the Asset and Liability Management Committee. Andy Smith and Thomas Mercier are the members of this committee.

Changes to the Board

Geoff Gayfer resigned from the Board on 2 May 2013.
Nathan Blackwell joined the Board on 5 December 2013.

Scheme advisers and investment managers

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 Ltd

Scheme Administrator

Punter Southall Ltd

Scheme Auditor

Ernst & Young LLP

Legal Advisers

Norton Rose Fulbright LLP

Investment Adviser

P-Solve Investments Ltd

Employer Covenant Adviser

PricewaterhouseCoopers LLP

Investment Managers

BlackRock Investment Management LLC

BlackRock Advisors (UK) Ltd

BlackRock Life Limited

Baring Asset Management Ltd (appointed August 2013)

AXA Investment Managers UK Ltd

M&G Investment Management Ltd

AllianceBernstein Ltd

Pioneer Asset Management SA

BNP Paribas Investment Partners UK Ltd
(until September 2013)

GLG Partners LP

P-Solve Investments Ltd

Legal & General Assurance (Pensions Management) Ltd

Baillie Gifford Co

Custodian and Collateral Manager

The Bank of New York Mellon SA/NV

Bankers

Lloyds 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.

About the Scheme

The Scheme is a registered occupational pension scheme. It 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 further accrual for existing members. 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 sponsoring employer of the Scheme is Invensys Ltd ("the Company").

Trustee arrangements

The Trustee of the Scheme is Invensys Pension Trustee Limited. Invensys Pension Trustee Limited is 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. It ensures that proper accounting records and controls are maintained by the Invensys Pension Scheme's administration offices, 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 preparing audited financial statements showing a true and fair view of the financial transactions of the Scheme during the Scheme year. These financial statements must also show the amount and disposition of the assets and liabilities at the end of the year, 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 at least in accordance with Scheme Rules and the Schedule of Contributions. During the year under review, the Board met 11 times, the Investment Committee met six times and the Governance and Audit Committee met five times.

Board structure

In accordance with the Articles of Association of the Trustee Company, the Board consists of a maximum of nine Directors. Three of these Directors, in addition to the Chairman, are appointed by the Company. One is appointed from the entire Scheme membership. Four are appointed as Scheme pensioners. The appointing or nominating authority may also remove Directors from office. The Company also has the right to change the Trustee Company, as well as the right to change the Company-appointed Directors.

All decisions the Trustee has 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, or as required, in order to ensure the Scheme is managed efficiently.

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, make decisions and give recommendations to the Trustee in respect of its investment responsibilities.

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

In addition, the committee works with the Scheme's auditors and reviews the annual financial audit of the Scheme's accounts on behalf of the Board.

The Company Liaison Committee works directly with the Company on issues relating to Company policy and status. It also negotiates Scheme funding issues and can operate as a sub-committee of the Board for major transactions.

Trustee's report continued

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

- considering the role and capabilities required at any given time
- selecting and proposing suitable candidates for the EO to the Board
- considering, approving and applying the policy on the remuneration of members of the EO and the Board
- monitoring and recommending the level and structure of remuneration for the EO

The **Asset and Liability Management Committee ("ALCo")** has three main responsibilities, delegated under its Terms of Reference. These are:

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

These committees make regular reports and proposals to the Board. Where appropriate, the Board then authorises the actions taken.

Actuarial valuation

The Scheme Actuary is independent of the Scheme and the Company. He 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. Annual updates are presented to the Trustee in other years.

The latest full valuation was as at the effective date of 31 October 2012. It took place in preparation for the Company's sale of the Rail division. 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 ongoing basis). These Technical Provisions were then agreed by the Company.

Key assumptions

The Trustee made a number of key assumptions. These assumptions were agreed by the Company for the October 2012 valuation. They were as follows:

- a discount rate set to be the yield available on the nominal fixed interest gilt yield curve plus 1.0% per annum.
- an RPI inflation assumption derived from nominal and real gilt yield curves
- a CPI assumption, which has been derived by making a suitable adjustment to the RPI inflation assumption. A deduction of 0.75% 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 was no reliable market-based method for deriving an assumption for CPI price inflation
- pension increases assumptions based on the relevant inflation assumption and a model to allow for the pension increase collars (e.g. 3% and 5%) and future inflation volatility of 1.5% per annum
- the pre-retirement mortality table based on AC00 tables
- 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_2011) for future improvements with a 1% per annum long-term rate of improvement

In respect of the remaining active defined benefit members, the Company will continue making regular contributions of 17.0% of payroll, in addition to the 13% contributed by the members (for members participating in SMART Pensions, the contributions will be 30.0% and nil for the Company and members respectively).

The agreed assumptions gave rise to a funding deficit of £478m as at 31 October 2012. On 2 May 2013, the Company completed the sale of its Rail division to Siemens. As part of that transaction the following arrangements, worth up to £625m, were made:

- An immediate cash payment of £400m was made to the Scheme
- £225m was paid in to a newly established trust ("the Reservoir Trust") which would be available to fund the Scheme in the future, should it be required

Trustee's report continued

In January 2014 the Company was acquired by Schneider Electric. As part of the takeover process, the Trustee negotiated with the Company and Schneider Electric on a number of measures to enhance the security of the Scheme. These included:

- A parental guarantee of up to £1.75bn from Schneider Electric
- Division of the assets of the Reservoir Trust. The Reservoir Trust was wound down and split equally between the Scheme and Company, equating to circa £105m each (this amount was paid in to the Scheme after 31 March 2014)
- Removal of some of the existing agreements between the Scheme and Company, such as the requirement for 8% of proceeds on the disposal of an Invensys business that is not participating in the Scheme
- An agreement in principle on a method to apportion future debts that arise on the cessation of participating employers

The recovery plan was revised to reflect these changes on 10 April 2014. Allowing for the monies from the Reservoir Trust, the Scheme was fully funded at that time on the technical provisions basis. Therefore, no further deficit funding was required for the immediate future.

The National Fraud Initiative

The Trustee, along with other organisations, takes part in the Audit Commission's National Fraud Initiative. This initiative involves reviewing the data the Scheme holds against registered deaths. This is to identify cases where pensions are still being paid despite the pensioner's death. This data-matching exercise meets the requirements of data protection laws. The Audit Commission will process the data for this purpose only.

The Trustee has a duty to provide benefits only in accordance with the provisions of the Scheme Rules. These reviews are completed and are dealt with sensitively to ensure any genuine misunderstandings by relatives of the deceased pensioners are satisfactorily resolved. However, any case that appears to be an incidence of potential fraud will be referred to the authorities for further investigation.

If it appears that a pension may have been fraudulently claimed or information provided has been given in a fraudulent manner, then the Trustee's policy is to pass all relevant papers 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
36 Gallowgate
Newcastle upon Tyne
NE1 4TD

Phone: 0191 341 0600

e-mail: invensyspensions@puntersouthall.com

Consultation

Active members

The Company has, for many years, maintained a 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 as required.

The UKPCC members at 31 March 2014 were:

Members' Representatives

Robert Donarski	Eurotherm Ltd
Lynda Manning	IMServ (Europe) Ltd
Vacancy	Invensys Ltd
Mike Sweet	Invensys Controls UK Ltd
Colin Townsend	Invensys Systems (UK) Ltd

Company Representatives

Tony Crilly	Invensys Controls UK Ltd
Nigel Johnson	Invensys Ltd
Vacancy	Invensys Systems (UK) Ltd

As a result of the Rail division sale the Invensys Rail representatives stepped down in May 2013. Active membership also reduced, and is now less than 400. The UKPCC continues to be used by the Company as a consultation forum on issues of importance to active Scheme members.

Trustee's report continued

Nomination of Trustee Company Directors

There are fewer than 400 active members in the Invensys Pension Scheme, out of a total of approximately 78,000 members. In recognition of the ever-maturing nature of the Scheme, the Company and the Trustee Board agreed to revise the membership criteria of the Trustee Company Board during 2013. This removed the requirement for a UKPCC-nominated Director. This position was replaced by an additional Director nominated by members. This Director was drawn from the entire member population, including active members and is referred to as the General Membership Director. The appointment is made following nomination by two other members of the Scheme. A selection process is then carried out by the Governance and Audit Committee and final approval given by the Board.

Similarly, when a vacancy arises for a Pensioner Director, any retired member of the Scheme who receives a pension from the Trustee may put him/herself forward. His/her candidature must be supported by nominations from two other pensioner members who receive a Scheme pension. A selection process will then be carried out by the Governance and 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. Some Board members receive additional development from their external board positions, covering:

- company sponsor covenants
- accounting requirements
- the annuity market
- asset management
- economic factors
- retirement/longevity trends

A training session is usually undertaken on a relevant topic at each quarterly Board meeting. In addition, the Trustee undertook a Board Effectiveness review during the year.

The Board also uses external training courses and seminars. Directors are encouraged to undertake the "Trustee Toolkit" training provided by the Pensions Regulator.

Trustee Director

	Total training days 01/04/13 - 31/03/14
K A O'Donovan	2.7 days
D N Blackwell*	6.6 days
G C J Campion	7.0 days
N B Casson-Moss	5.7 days
A G Ferris	5.5 days
I R Fyfe	4.7 days
E K Lowe	5.5 days
S C McDonnell	3.3 days
P B Vos	5.0 days

* Since appointment

Trustee attendance

Trustee Directors: attendance for year to 31 March 2014

	Trustee Board	Investment Committee	Governance and Audit Committee
Number of meetings/calls held	11	6	5
K A O'Donovan	11	6	*
D N Blackwell (joined 5 December 2013)	6	*	*
G C J Campion	10	4	*
N B Casson-Moss	10	2**	5
A G Ferris	11	6	*
I R Fyfe	11	6	*
G R Gayfer (resigned 2 May 2013)	1	0	*
E K Lowe	9	*	4
S C McDonnell	9	*	4
P B Vos	10	*	5

* The Director is not a member of that committee and attends as invitee only

** Resigned from the Investment Committee in June 2013.

During the year ended 31 March 2014 the following payments were made:

Chairman - receives an annual salary of £80,605.

Pensioner Directors - receive a per diem rate.

General Member Director - receives a per diem rate.

Company Nominated Directors - are remunerated by the Company, or receive a per diem rate.

UKPCC Nominated Director - was remunerated by the Company.

Trustee's report continued

Communication

The Board ensures that we communicate with all members on a regular basis. During the year the Scheme issued two newsletters, with the summer newsletter incorporating the Annual Review of the Scheme. The Scheme has a website: www.invensyspensions.co.uk. Members can also contact the Scheme by email, by phone or in writing.

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
- companies 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

Pension schemes are 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 that 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 effective decision-making processes and adopting pension industry "best practice" where this is appropriate for the Scheme.

Trustee's report continued

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. This covers areas such as:

- operational risks including 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 managing investment risks to the Investment Committee - see the Investment Report for more details.

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

The GAC also oversees:

- the operational risk review
- 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 LLP. The GAC oversees the entire audit process.

Compliance statement

The Scheme is a registered pension scheme. 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.

Members can request a copy of the Trust Deed and Rules from 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 in progress.

Contributions

The Trustee collects contributions from employers who participate in the Scheme. Up until August 2010, a number of employers operated from several distinct locations with their own independent payrolls and differing payment patterns. Since then, NorthgateArinso, the Company's payroll service provider, ran these separate payrolls from one location. During 2013, the Company resumed responsibility for the payroll service with NorthgateArinso responsible only for providing the software.

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

The Summary of Contributions is on page 38 and shows contributions payable under the Schedule of Contributions that existed during the year. Subsequent to the year end, a new Schedule of Contribution was certified and became effective on 10 April 2014.

Pension increases and transfer values

Under the Scheme Rules, pensions in payment 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. (This excludes the Guaranteed Minimum Pension (GMP) portion which receives statutory increases in line with Pension Increase Orders published by HM Government.)

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 2013 was 3.1%.

In the past, increases have been augmented by a series of discretionary bonuses paid between 1988 and 2001. These bonuses were subject to Scheme and HM Revenue & Customs limits.

Trustee's report continued

Over the period since 1988, pension increases and bonuses awarded have together 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.

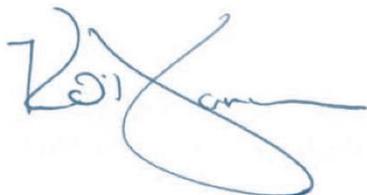
There were no discretionary increases or benefits allowed for in the calculation of transfer values for the year ending 31 March 2014.

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, we advise members to contact Invensys Pensions to see if the matter can be resolved informally.

During the course of the year under review, two formal complaints were 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



Kathleen O'Donovan
Chairman

15 July 2014

Investment report

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. It has only 385 active members out of a total membership of 77,761. This means it is a substantial net payer of benefits; it pays more out in benefits than it receives in ongoing contributions. This therefore erodes its asset base naturally every year. We can measure the extent of its maturity in the net payments made each year: approximately £260m or c. 6% of its asset base in 2014.

Scheme Investment Strategy

The Scheme's investment objectives are to achieve investment returns that, together with the contributions paid by the Company and by members, ensure that the assets of the Scheme are sufficient to meet the benefits to each member as they fall due over time. This includes 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, known as the "Strategic Target". Over the life of the Scheme, the Strategic Target is expected to be equivalent to the return implied by the Technical Provisions: that is, UK Government gilt yields + 1.0% per annum.

This target is primarily driven by:

- the Scheme's profile:
 - the nature of the liabilities
 - the structure of the membership base
- the Trustee's overall risk tolerance
- the Trustee's evaluation and perception of the covenant provided to the Scheme

From the Strategic Target, the Trustee derives a Strategic Asset Allocation (SAA). This is designed to deliver asset returns of gilts + 1.0% per annum over the long term, and therefore to perform in line with the liabilities measured on a Technical Provisions basis.

At the investment level, the Trustee sets specific performance targets for each underlying investment manager. These specific targets naturally have shorter horizons than the Strategic Target. The aggregation of these targets determines the Scheme's Investment Manager Target (IMT).

Year on year, the IMT 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 following chart
2. Ongoing monitoring of the performance of the assets against the IMT (see Investment Managers Performance section)



The chart excludes contributions received, changes to the Technical Provisions' assumptions and membership updates

Investment report continued

The Strategic Target corresponded to a return of minus 3.4% in the year to 31 March 2014. This is negative as it reflects the impact of higher gilt yields on the value of the Technical Provisions. The IMT corresponded to a return of minus 2.1%.

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. A copy is available to members of IPS.

Strategic asset allocation

To a large extent, the Trustee has invested in assets that have a profile that closely matches the liabilities by using bonds or "bond-like" assets. This helps the assets to match the valuation movements in the liabilities, thereby reducing the volatility of the Scheme's funding position.

The Trustee is not able to fully match the liabilities of the Scheme with its assets. This is mainly because of the limit imposed by the Corporate Sponsor. This requires the assets of the Scheme to 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% per annum.

The Scheme's investments are classified in two categories:

1. A Liability Matching Fund ("LMF"). This is used 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
 - Network Rail bonds
 - cash
 - 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 53% of the assets.

2. An Investment Portfolio ("IP"). This accesses the risk premium of a diversified portfolio of return-seeking assets. It also benefits from the additional performance available from active management, where considered appropriate. The total Investment Portfolio currently represents 42% of the assets:

26% of these assets comprise mandates using primarily investment grade bonds:

- AXA
- M&G
- GLG

The remaining 16% of these assets comprise:

- a Fund of Hedge Funds
- a Fixed Income Global Alpha Fund (Hedge funds: BlackRock)
- a Dynamic Asset Allocation mandate (DAA: Barings)
- two Broad Bond portfolios (AllianceBernstein, Pioneer)
- a listed equity portfolio (LGIM)
- a loans mandate (M&G)

Around 2% of the Scheme's assets was left in cash either to satisfy the Scheme's short-term payment obligations or pending investment at a future date. The 50% of the Reservoir Trust attributed to the Scheme at the end of the year represented a further 2% of the assets.

Investment report continued

Investment managers' performance

The assets are managed by independent investment managers under the guidance of the Trustee and its Investment Adviser. 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 over the business cycle.

The investment managers' performance in any given year is expected to be a function of the capital markets environment and their capacity to navigate the markets to deliver relative outperformance.

The year to 31 March 2014 has generally been benign compared to the previous two years. Relatively sustained growth has returned to the US and with it lower unemployment.

In Europe, aggregate economic growth has also returned, albeit at a low level. Reforms undertaken in southern European economies seem to have borne some fruit, improving their competitiveness and stabilising their economic activity.

However, significant issues remain on the horizon. Many economies continue to be supported by highly accommodative monetary policies, which are likely to come to an end at some point.

In the spring of 2013, the market reacted negatively to the US Federal Reserve's announcement that it may start reducing its quantitative easing programme. The Federal Reserve eventually started reducing its quantitative easing programme later in 2013.

In the case of the Eurozone, a number of issues remain. These include governance challenges, limited improvement in debt sustainability measures, combined with the prospect of very low inflation.

Against this background the Scheme's assets performed well. Their return exceeded the Strategic Target by 2.5 ppts and the Investment Manager Target by 1.2 ppts over the year (see page 8 for graphical analysis).

The LMF had a total return of minus 4.9% for the year as a result of the increase in gilt yields. This was largely a consequence of growth returning in the UK and other large economies and, with it, markets' expectations that the Bank of England would start raising interest rates and potentially reduce its quantitative easing programme earlier than initially expected.

The return was above the LMF's target of minus 6.2%. This is largely the consequence of the LMF's allocation to gilts. The gilts held in the LMF achieved a return higher than swaps over the year and from which the LMF target is derived. In addition, those gilts have in aggregate a lower sensitivity to yield changes than the swap-based target, which meant that as swap rates and gilt yields increased during the year, they lost less in value than the target.

The Investment Portfolio had a strong performance in aggregate, with a total return of 4.0% for the year against a target of 2.8%. The investment grade bonds and loans mandates were helped by the tightening of credit spreads and the equities mandate was helped by higher equity prices. All the other mandates also had a positive return over the year. The FIGA and DAA mandates had below-target performance for the year. These tend to be the most dynamically managed mandates within the Investment Portfolio, illustrating the challenges of generating strong returns in the current market environment.

Investment report continued

Investment managers' historical performance

Investment Manager	Style	Holdings at 31 March 2014		12 months to 31 March 2014 ¹		Investment return % pa 3 years to 31 March 2014 ¹	
		£m	% of total	Actual %	Target %	Actual %	Target %
Liability Matching Fund (LMF)							
BlackRock ²		2,479	52.8	(4.9)	(6.2)	9.6	10.3
Investment Portfolio							
AXA	IG bonds	577	12.3	2.6	(0.1)	8.7	6.2
GLG	IG bonds	163	3.5	11.0	4.4	7.9	3.2
M&G	IG bonds	495	10.5	4.5	2.5	4.1	1.9
LGIM ³	Equity	131	2.8	15.2	4.5	9.5	4.7
BlackRock (FoHF)	Hedge funds	11	0.2	4.2	5.1	3.0	5.3
Blackrock (FIGA)	Hedge funds	84	1.8	5.9	9.1	14.2	8.3
AllianceBernstein	Broad bonds	90	1.9	1.2	3.5	4.1	3.7
Pioneer	Broad bonds	156	3.3	3.7	3.5	6.0	3.7
Barings	DAA	203	4.3	2.2	2.7		
M&G	Loans	65	1.4	4.7	3.8		
Investment Portfolio⁴		1,977	42.1	4.0	2.8	5.3	4.3
Cash		92	2.0	0.1			
Managed assets⁴		4,548	96.9	(0.9)	(2.1)	7.5	7.5
Protected rights/DCs/AVCs		28	0.6				
Net financial assets		4,576	97.5				
Net current assets ⁵		15	0.3				
Reservoir Trust ⁶		104	2.2				
Net assets of the Scheme including Reservoir Trust		4,695	100.0				

Due to rounding differences, the numbers above may not compute exactly.

1 Or since inception if performance monitoring period is shorter (Barings: August 2013, M&G: June 2013).

2 BlackRock's performance includes the swaptions portfolio from its inception in July 2011 to closure over Q4 2013.

3 The LGIM target shown above is the cash-based strategic target of Libor +4%, whereas the manager aims to track an equity index.

4 The target for the IP and the managed assets reflects the IMT. The actual performance of the IP includes the return of the BNPP DAA mandate of -5.1% from 31 March 2013 until it was terminated in Q3 2013.

5 Net current assets includes cash in the Trustee Bank Account.

6 The Reservoir Trust value reflects the proportion attributable to the Invensys Pension Scheme.

Key initiatives performed during the year

- **Reviewing the Investment Strategy:** the Scheme held a two-day event. The Executive Office led this event, while the Scheme advisers and external participants supported it. They reviewed:
 - the Scheme's current key sources of investment returns and risks
 - the outlook for the Scheme funding level under various macroeconomic scenarios
 - potential new areas of focus for investment and risk management
- **Investing the £400m contribution following the Invensys Rail division sale.** Shortly after the sale was completed on 1 May 2013, the Scheme received a cash contribution of £400m. In order to protect the enhanced funding level, the Scheme took the opportunity to reduce investment risks. It achieved this by:
 - increasing the allocation to the LMF and reducing the Scheme's exposure to interest rate risks
 - increasing the allocation to investment grade bonds mandates relative to potentially riskier return-seeking asset classes. This also allowed it to capture an attractive level of credit spreads

Investment report continued

- **Ending the BNPP DAA mandate.** Following a review, the Scheme decided to end its mandate with BNPP. The proceeds were allocated to a smaller DAA mandate with Barings and to the investment grade bonds mandates. This will allow the Scheme to remain dynamic in capturing return opportunities and to increase its ability to pay benefit payments while achieving its return objectives.
- **Reducing investment risk.** The Scheme took additional actions to reduce investment risk as markets evolved during the year and the Scheme funding level improved. This included reducing the interest rate exposure beyond the action taken after the Invensys Rail division sale. It also included reducing the Scheme's allocation to equities after their strong performance in the second half of 2013.

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. The global custodian holds the Scheme's assets that make up the various portfolios managed by the investment managers. Its provider from 1 September 2006 has been Bank of New York Mellon SA/NV. In the case of the Fund of Hedge Funds, a separate branch of the custodian undertakes this work. This branch is based in the United States.

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

The administrative functions of the custodians include:

- settlement of transactions
- collection of income arising from the investments
- recovery of any tax paid that is due
- reporting 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, which 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 32 to 35. 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.

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). The Trustee is also responsible for making certain other information about the Scheme available 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
 - the amount and disposition of the assets and liabilities at the end of the Scheme year, other than liabilities to pay pensions and benefits after the end of that Scheme year
- 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. This includes a statement on 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.

Under pensions legislation, the Trustee is responsible for ensuring that a Schedule of Contributions is prepared, maintained and from time to time revised. This Schedule of Contributions shows the rates of contributions payable to the Scheme by or on behalf of the employer and the active members of the Scheme. It also shows 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 October 2012 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 2 May 2013.



Steve Leake

Fellow of the Institute and Faculty of Actuaries

Punter Southall Limited

Tempus Court

Onslow Street

Guildford

Surrey GU1 4SS

2 May 2013

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 2014 which comprise the fund account, the net assets statement and the related notes 1 to 17. 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2014, 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

15 July 2014

Fund account

For the year ended 31 March 2014

Contributions and benefits

	Note	2014 £m	2013 £m
Contributions receivable	3	410.5	50.2
		410.5	50.2
Benefits payable	4	(235.6)	(235.7)
Payments to and on account of leavers	5	(3.9)	(9.0)
Administrative expenses	6	(6.3)	(5.3)
		(245.8)	(250.0)
Net additions/(withdrawals) from dealings with members		164.7	(199.8)
Returns on investments			
Investment income	7	106.5	112.6
Change in market value of investments	9	(155.0)	313.0
Investment management expenses	8	(13.8)	(20.8)
Net returns on investments		(62.3)	404.8
Net increase in the fund during the year		102.4	205.0
Opening net assets of the Scheme at 1 April		4,488.1	4,283.1
Closing net assets of the Scheme at 31 March		4,590.5	4,488.1

Net assets statement

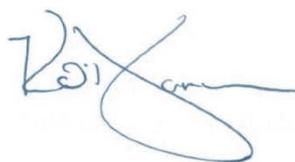
As at 31 March 2014

Investments	Note	2014 £m	2013 £m
Financial assets	10	5,064.3	5,106.4
Financial liabilities	10	(488.4)	(633.4)
Net financial assets	9	4,575.9	4,473.0
Current assets	12	30.8	34.9
Current liabilities	13	(16.2)	(19.8)
Net assets of the scheme at 31 March		4,590.5	4,488.1

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 statement by the Scheme Actuary on page 24 of the Annual Report. These statements should be read in conjunction with the Scheme Actuary's statement.

Signed on behalf of Invensys Pension Trustee Limited:



K A O'Donovan



I R Fyfe

15 July 2014

Directors

Notes to the financial statements

1 Basis of preparation

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996. They have also been prepared in accordance 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. Westinghouse mitigation funding contributions are accounted for on an accruals basis in accordance with the Schedule of Contributions under which they are paid.

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.

Net receipts or payments on swap contracts are reported either within investment income where the economic purpose of the swap is income related, or within change in market value where the economic purpose of the swap is related to the assets and liabilities of the scheme. Realised gains and losses on closed contracts and unrealised gains or losses on open contracts are included within 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 2014.

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. Pensions paid include amounts paid in respect of insured pensioners. The income relating to these is shown as annuities received within investment income.

e Investment manager fees

Investment manager fees are accounted for on an accruals basis. They are primarily 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.

Notes to the financial statements

continued

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.

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 from/to brokers/managers.

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.

(ii) 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.

(iii) Swaps

Swaps are valued at fair value, using pricing models that 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. Net receipts or payments on swap contracts are reported within change in market value.

(iv) Forward foreign exchange contracts

Forward foreign exchange contracts outstanding at the year-end are stated at fair value, which is determined as the gain or loss that would arise if each outstanding contract was matched at the year-end with an equal and opposite contract at that date.

Changes in the fair value of the forward contracts are reported within change in market value in the Fund Account.

i Repurchase agreements

Where the scheme enters into a repurchase agreement (a "repo"), it receives a cash loan from the counterparty, which is collateralised 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 interest to the repo counterparties on the cash borrowed and this is accounted for on an accrual basis within investment income in line with the terms of the respective contracts.

j 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.

k Administrative expenses

Administrative expenses are accounted for on an accruals basis.

Notes to the financial statements continued

3 Contributions

	2014 £m	2013 £m
Employers		
Normal	0.4	0.8
SMART	3.6	7.8
Deficit funding*	0.0	40.0
Westinghouse mitigation funding*	405.2	0.0
Augmentation ⁺	1.0	1.0
Members		
Normal	0.2	0.5
AVCs	0.1	0.1
	410.5	50.2

* Deficit funding contributions and Westinghouse mitigation payments were paid in accordance with the Schedule of Contributions. This includes the contribution of £400m following the sale of the Rail division plus income from the Reservoir Trust. See note 17 "Subsequent Events" for further details on future funding.

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

The Schedule of Contributions requires contributions to be paid by the participating employers or the Company to the Trustee 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 that 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: £10* employer normal (2013: £21*), £219* employer SMART (2013: £358*) and £5* member normal (2012: £12*).

Until 1 May 2013, employer normal and SMART contributions included an allowance of 2.8% of pensionable salary in respect of deficit funding contributions. Employer normal contributions include deficit funding contributions of £9* (Mar 2013: £109*) and SMART contributions include deficit funding contributions of £53* (Mar 2013: £666*).

All figures, in the above paragraphs, marked with an asterisk* are in 000s.

4 Benefits payable

	2014 £m	2013 £m
Pensions	219.8	218.1
Commutations and lump sum retirement benefits	14.7	16.3
Lump sum death benefits	1.1	1.3
	235.6	235.7

5 Payments to and on account of leavers

	2014 £m	2013 £m
AVC withdrawals	0.9	0.7
Individual transfers to other schemes	3.4	8.3
Refunds of State Scheme Premiums	(0.4)	0.0
	3.9	9.0

Notes to the financial statements continued

6 Administrative expenses

	2014 £m	2013 £m
Administration and processing	3.3	3.4
Pension Protection Fund levy	0.1	0.4
Actuarial fees	0.2	0.3
Legal and other professional fees	1.0	1.0
Audit fees	0.1	0.1
Directors' fees	0.1	0.1
Exceptional expenses	1.5	0.0
	6.3	5.3

Note: exceptional legal and other professional expense fees of c. £1.5m were incurred during the year to 31 March 2014 in respect of the negotiations that took place during the acquisition of Invensys plc by Schneider Electric SA. In discussion with the Company, it was agreed that the Scheme would meet these expenses.

7 Investment income

	2014 £m	2013 £m
Income from fixed interest securities	51.3	47.8
Income from index-linked securities	55.2	54.7
Interest on cash deposits and margin accounts	0.9	2.9
European loan income	2.9	0.0
Annuities received	0.7	0.8
Repo interest expense	(1.1)	(1.1)
Income from derivatives (swaps)	(3.5)	7.2
Other	0.1	0.3
	106.5	112.6

8 Investment management expenses

	2014 £m	2013 £m
Administration, management, custody	7.8	9.2
Performance-related fees	6.0	11.6
	13.8	20.8

Performance-related fees decreased in 2014. This was a result of two main factors:

- 1 a lower investment outperformance than in 2013
- 2 the fact that 2013 was the first year that recognised fees payable in future years

Notes to the financial statements continued

9 Investments - net financial assets

	As at 31 March 2013 £m	Purchases at cost and derivative payments £m	Sales proceeds and derivative receipts £m	Market value movement £m	As at 31 March 2014 £m
Fixed interest securities	1,437.9	904.9	(511.7)	(30.4)	1,800.7
Index-linked securities	2,126.7	284.9	(244.1)	(147.0)	2,020.5
Pooled investment vehicles	997.5	370.8	(597.8)	25.5	796.0
Derivative contracts	(83.6)	56.5	(19.1)	(15.4)	(61.6)
Repurchase agreement liabilities	(224.2)	509.9	(534.3)	0.0	(248.6)
Cash instruments	157.0	1,987.6	(1,911.1)	(0.4)	233.1
AVC investments	8.5	0.1	(1.0)	0.3	7.9
DC investments	3.0	0.2	(0.1)	0.2	3.3
	4,422.8	4,114.9	(3,819.2)	(167.2)	4,551.3
Other financial assets and liabilities	34.7			10.9	21.1
Cash deposits	15.5			1.3	3.5
	4,473.0			(155.0)	4,575.9

Market value movements comprises all realised and unrealised gains or losses on investments in the year and in the case of cash deposits comprises foreign exchange movements.

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 included above were £504k (2013: £4k). The large increase in 2014 is due to the disposal of the BNP Paribas holding. In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within investment funds. The amount of indirect costs is not separately provided to the Scheme.

10 Investments - financial assets and liabilities

	2014		2013	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Fixed interest securities	1,800.7	0.0	1,437.9	0.0
Index-linked securities	2,020.5	0.0	2,126.7	0.0
Pooled investment vehicles	796.0	0.0	997.5	0.0
Derivative contracts	165.2	226.8	322.3	405.9
Repurchase agreement liabilities	0.0	248.6	0.0	224.2
Cash instruments	233.1	0.0	157.0	0.0
AVC investments	7.9	0.0	8.5	0.0
DC investments	3.3	0.0	3.0	0.0
Other financial assets and liabilities	34.1	13.0	38.0	3.3
Cash deposits	3.5	0.0	15.5	0.0
	5,064.3	488.4	5,106.4	633.4
Total net financial assets	4,575.9		4,473.0	

Notes to the financial statements continued

10 Investments - financial assets and liabilities continued

	2014 £m	2013 £m
Fixed interest securities		
UK public sector quoted	693.2	493.4
Corporate quoted	1,080.6	929.5
Overseas public sector quoted	9.1	11.0
Other	17.8	4.0
	1,800.7	1,437.9

	2014 £m	2013 £m
Index-linked securities		
UK quoted	1,965.8	2,047.9
Other	54.7	78.8
	2,020.5	2,126.7

Included within investments above are assets of £494.7m available for use as collateral when required. As at the year end, £48.8m was deployed as net collateral posted in favour of counterparties to derivative contracts and repurchase agreements open at the year-end.

	2014 £m	2013 £m
Pooled investment vehicles		
Fund of Hedge Funds	10.9	35.4
Managed funds other	768.3	946.4
Unit trusts other	16.8	15.7
	796.0	997.5

As of 31 March 2014, the Scheme had £629.1m (2013: £847.4m) invested in pooled investment vehicles whose managers are registered in the United Kingdom. It also had £166.9m (2013: £150.1m) invested in pooled investment vehicles whose managers are not 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
- any reinvested income, where the income is not distributed

	2014		2013	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Derivative contracts				
Swaps	161.9	226.7	206.3	262.8
Swaptions	0.0	0.0	111.8	138.4
Futures contracts	0.1	0.0	0.0	0.4
Forward foreign exchange	3.2	0.1	4.2	4.3
	165.2	226.8	322.3	405.9
Net derivative liabilities		61.6		83.6

Notes to the financial statements continued

10 Investments - financial assets and liabilities continued

Derivative contracts

The Trustee has authorised its investment managers to use derivatives for the purpose of efficient portfolio management, reducing potential mismatches between assets and liabilities and reducing investment risk.

Swaps

The Scheme's investment managers may use interest rate swaps, inflation swaps, futures, repurchase agreements and gilt total return swaps to reduce the potential mismatch between the Scheme's assets and its liabilities in respect of interest rates and inflation movements.

Interest rate swaps

Maturity years	No. of contracts	Pay Fixed Notional £m	Receive Fixed Notional £m	Assets £m	Liabilities £m
0-5	23	58.6	722.4	30.4	4.4
5-10	14	31.7	258.9	22.5	9.5
10-30	51	324.0	297.8	79.6	75.8
30-50	36	205.7	64.3	19.6	92.6
Total	124	620.0	1,343.4	152.1	182.3

Inflation swaps

Maturity years	No. of contracts	Pay RPI Notional £m	Receive RPI Notional £m	Assets £m	Liabilities £m
0-5	11	0.0	185.5	1.3	0.4
5-10	11	85.0	165.1	2.8	2.0
10-30	53	698.3	286.3	3.9	37.7
30-50	16	86.9	24.9	1.8	4.3
Total	91	870.2	661.8	9.8	44.4
Total swaps				161.9	226.7

Futures contracts

Maturity	Type of Future	No. of contracts	Economic Exposure £m	Assets £m	Liabilities £m
Under 3 months	UK Gilt	1	11.5	0.1	0.0
Under 3 months	Overseas Fixed Interest	3	(41.9)	0.0	0.0
Total		4		0.1	0.0

Forward foreign exchange

The Scheme is subject to currency risk in so far as assets are held in non-GBP currencies. The change in the value of those currencies relative to GBP may impact the income that the Scheme expects to receive from those investments as well as their value. This risk is mitigated by use of forward foreign exchange contracts.

Maturity	Pay/Receive currency	No. of contracts	Notional	Assets £m	Liabilities £m
Within 3 months	Pay GBP/Receive EUR	4	7.3	0.0	0.0
Within 3 months	Pay EUR/Receive GBP	14	349.4	2.5	0.0
Within 3 months	Pay GBP/Receive USD	2	8.6	0.0	0.1
Within 3 months	Pay USD/Receive GBP	7	59.3	0.7	0.0
Within 3 months	Pay NOK/Receive GBP	4	1.6	0.0	0.0
Total		31	426.2	3.2	0.1

Notes to the financial statements continued

10 Investments - financial assets and liabilities continued

Repurchase agreements

As at 31 March 2014

Nature	Underlying Investment	Term	Nominal £m	Liability £m
Repo Sell	UK Treasury Gilt	Less than 12 months	194.8	248.6

The value of the gilts sold as part of the repurchase agreements was £250.2m as of 31 March 2014. The Scheme held £1.9m of collateral posted by its “repo” counterparts.

Cash instruments

	2014 £m	2013 £m
Cash instruments	233.1	157.0
AVC investments (see note 11)	7.9	8.5
DC investments (pooled funds)	3.3	3.0

Other financial assets and liabilities

	2014		2013	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Accrued interest	28.1	0.0	21.8	0.0
Amounts due from/to brokers/managers	6.0	13.0	16.2	3.3
	34.1	13.0	38.0	3.3
Net other financial assets	21.1		34.7	

Cash deposits

	2014 £m	2013 £m
Sterling	0.7	0.7
Foreign currency	2.8	14.8
	3.5	15.5

Notes to the financial statements

continued

11 Additional Voluntary Contributions (AVCs)

Active members have 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.

The number of contributing and deferred members participating and the aggregate amount of members' AVCs were as follows:

Members participating

	Prudential	Equitable Life	Other	Total
31 March 2013	816	474	69	1,359
31 March 2014	760	440	65	1,265

Funds

	Prudential £m	Equitable Life £m	Other £m	Total £m
Members' funds at 31 March 2013	4.5	2.5	1.5	8.5
Contributions/transfers in	0.1	0.0	0.0	0.1
Interest and bonuses	0.1	0.1	0.1	0.3
Withdrawals/transfers out	(0.5)	(0.3)	(0.2)	(1.0)
Members' funds at 31 March 2014	4.2	2.3	1.4	7.9

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

12 Current assets

	2014 £m	2013 £m
Pensions paid in advance*	0.0	17.3
Contributions due (see note 14)	0.5	0.8
Cash balances	29.8	16.0
Other debtors	0.5	0.8
	30.8	34.9

* The 2013 Scheme year ended during a weekend and pensions were paid prior to the beginning of the 2014 Scheme Year.

13 Current liabilities

	2014 £m	2013 £m
Contributions received in advance	0.3	0.0
Unpaid benefits	0.9	1.3
Accrued expenses	15.0	18.5
	16.2	19.8

Notes to the financial statements

continued

14 Contributions due

	2014 £m	2013 £m
Contributions due from employer	0.5	0.8

The contributions due were paid to the Scheme after the year-end. This was in accordance with the Schedule of Contributions.

15 Employer-related investments

At the year end less than 0.1% of assets were invested in employer-related investments within the meaning of section 40(2) of the Pensions Act 1995.

16 Related party transactions

Five Trustee Directors receive a pension from the Scheme and two others are deferred pensioners. Six Directors receive remuneration from the Scheme, shown in Note 6. All Directors are reimbursed for out-of-pocket expenses related to their duties. At the date of this report, one Director was an active member of the Scheme.

We calculate all benefits in accordance with the Scheme Rules.

17 Subsequent events

On 7 April 2014, £104.7m was transferred from the Reservoir Trust into the Scheme. This was one of the terms of the agreement reached with Schneider Electric on 6 February 2014. Under this agreement, Schneider Electric provided additional financial security to the Scheme and the assets of the Reservoir Trust were divided equally between the Company and the Scheme.

Allowing for these arrangements, the Trustee has concluded that the Scheme has the required funding in place to meet its 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, where the Company is not required to make any further deficit funding.

Summary of contributions

Invensys Pension Scheme

Summary of contributions payable during the year ended 31 March 2014

During the year ended 31 March 2014, the contributions payable to the Scheme under the Schedules of Contributions were as follows:

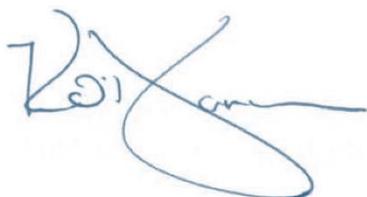
	£000
Employer SMART contributions	3,621
Employer normal contributions	297
Westinghouse mitigation contributions	405,244
Employee normal contributions	217
Death benefit levy	28
Total contributions under Schedule of Contributions	409,407
Augmentations	1,027*
Employee Additional Voluntary Contributions	81
Total contributions per note 3 of the financial statements	410,515

* Augmentations relate to specific amounts the Company paid to the Scheme to augment certain members' benefits.

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

Under the Schedules of Contributions dated 12 April 2012 and 2 May 2013, employer contributions were paid at a rate of 19.8% (up to 30 April 2013) and 17.0% (from 1 May 2013) of members' pensionable pay.

Signed on behalf of the Trustee



K A O'Donovan
Chairman

15 July 2014

Actuary's certificate of Schedule of Contributions

Name of Scheme: Invensys Pension Scheme

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this Schedule of Contributions are such that the statutory funding objective can be expected to be met by the end of the period specified in the recovery plan dated 7 April 2014.

Adherence to 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 2 May 2013.

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 and Faculty of Actuaries
Punter Southall Limited
Tempus Court
Onslow Street
Guildford
Surrey GU1 4SS

10 April 2014

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 for the scheme year ended 31 March 2014 which is set out on the trustee's report on page 38.

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 2014, as reported in the attached summary of contributions, have, in all material respects, been paid at least in accordance with the schedules of contributions certified by the scheme actuary on 13 April 2012 and 2 May 2013.



Ernst & Young LLP
Statutory Auditor
London

15 July 2014

Members' information

Please keep the Scheme informed if you change your address. You can obtain a form from Invensys Pensions or the website.

Scheme administration

Punter Southall Ltd
36 Gallowgate
Newcastle upon Tyne
NE1 4TD

Phone: 0191 341 0600

Email: invensyspensions@puntersouthall.com

If you need more information about the Scheme or your own pension position, please contact Punter Southall Ltd at the above address.

The Scheme's website at www.invensyspensions.co.uk provides more detailed information on the Scheme and copies of historical newsletters.

Events calendar

Date	Event
August 2014	Issue of Scheme Report and Accounts
August 2014	Issue of Summer 2014 IPSNews
February 2015	Issue of Winter 2014/2015 IPSNews
31 March 2015	End of Scheme financial year
August 2015	Issue of Summer 2015 IPSNews

Website links

The links below have been chosen to provide you with 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. 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.gov.uk/dwp

Financial Conduct Authority

www.fca.org.uk

Institute and Faculty of Actuaries

www.actuaries.org.uk

Pensions and Retirement Planning

www.direct.gov.uk/pensions

HM Revenue & Customs

www.hmrc.gov.uk

Invensys Ltd

www.invensys.com

Schneider Electric

www.schneider-electric.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

The Pensions Regulator

www.thepensionsregulator.gov.uk

Glossary

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 The certificate required to be given by the actuary in certain circumstances, e.g. 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 and Faculty of Actuaries.

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

Augmentation The process by which a member or other person has his/her benefits increased by the trustee, subject always to the consent of Invensys plc as Founder of the Scheme and the payment of additional contributions as determined by the trustee on the advice of the actuary.

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.

Deed of amendment A legal document that amends a scheme's trust deed and rules.

Deferred member A person who ceases to be an active member of a pension scheme, but does not receive their pension immediately.

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

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

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

Foreign exchange forward contracts Contractual agreements to exchange specified currency amounts at a specific date in the future. The contracts are transacted in the OTC market.

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

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

Governance The management and control of a scheme.

Guarantee A guarantee provided by Schneider Electric SA for £1.75bn to guarantee the obligations of the Scheme's participating employers.

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 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 A person who is currently receiving a pension from a scheme.

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

Reservoir Trust A trust that was created at the time of the sale of Invensys Rail division. It held assets which, under certain circumstances, would transfer to the Scheme.

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 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 a scheme as assessed by the actuary at a valuation using a series of assumptions, which 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 with the number of deferred members and pensioners with known benefits.

Section 75 debt Events such as company re-organisations can trigger an obligation for an employer to contribute to its defined benefit pension scheme. This is known as a section 75 debt, because it arises under section 75 of the Pensions Act 1995.

Glossary

continued

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

Swaps 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.

In a gilt total return swap, the scheme pays or receives a fixed or floating interest rate in return for receiving or paying the total return on a gilt specified in the contract.

In a credit default swap, the Scheme pays or receives a premium in return for receiving or paying an amount if and when a credit event occurs, which may include a bankruptcy, a default, or a restructuring of an entity as specified in the contract.

Swaptions 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 a 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 a scheme's assets and to determine its ability to meet its future liabilities.

Revisit

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

Invensys Pensions

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