Invensys Pension Scheme

Trustee's Annual Report & Financial Statements 2016

Scheme Registration Number: 10143856

Contents

Trustee Charter

The Trustee will:

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

Chairman's review

There are three parts to this review:

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

1. The year in summary

This section summarises the year to 31 March 2016.

Triennial valuation

I am pleased to report that we finished the 2015 triennial actuarial valuation well within the statutory time frame allowed.

The valuation showed that the Scheme was fully funded on a Technical Provisions basis and consequently no contributions were required from the Scheme's Sponsor, Invensys Limited (the Company). Legislation introduced the concept of triennial valuations in 2005 and this is the first time that the Scheme has reported a surplus under the regime.

The improvement from the £478m deficit reported at the last triennial valuation to a small surplus of £67m resulted mainly from mitigation payments from the Company following the sale of the Invensys Rail Division, as outlined previously.

The Scheme is also better protected by having a guarantee of up to £1.75bn from Schneider Electric SE, which was negotiated during the acquisition of Invensys. This Guarantee means that the Trustee can take account of the financial strength of Schneider Electric when assessing the security of the Scheme.

Estimated funding position

Each year, the Scheme Actuary provides the Trustee with an estimated funding position, based on the assumptions agreed at the previous triennial valuation. As at 31 March 2016, the Defined Benefit assets of the Scheme were £4,914m and the liabilities were estimated to be £4,987m. This indicated that the Scheme had a small deficit of £73m and a funding ratio of 99%.

Schneider Electric results for 2015

Schneider Electric reported its 2015 results on 17 February 2016. Adjusted earnings before interest, taxes and amortisation (EBITA) was €3.6bn (2014: €3.5bn). Free cash flow was €2.0bn (2014: €1.7bn). Total market capitalisation of Schneider Electric at 31 March 2016 was €32.6bn (circa £26bn).

Closure of the Scheme to future accrual

The Scheme closed to future accrual at the end of the last financial year. All the active members became deferred members from 1 April 2015.

The Scheme has 71,312 members, 4.7% fewer than last year. 47,914 are receiving a pension and 23,398 are deferred members.

New option for members in retirement - Pension Increase Exchange

Members reaching retirement have been able to opt for a Pension Increase Exchange (PIE) since January 2015. This gives members the option to exchange some of their future pension increases for a higher initial pension.

During the 2016 financial year, the Company decided to extend this option to members in retirement. This is a very large exercise and so the Company is making the offer in a series of tranches. The first pensioners were made an offer in October 2015 and the project is expected to continue for some time.

New regulatory requirements

This year, the main legislative and regulatory challenges have been focused on defined contribution (DC) arrangements. We have reviewed our governance arrangements to ensure that the DC section of the Scheme complies fully with the new requirements. Our Statement regarding DC governance included within the annual report shows how we have addressed this.

This is the first year that the financial statements included in the annual report have had to comply with Financial Reporting Standard 102 and the new Statement Of Recommended Practice (SORP). The main impact has been an increased level of disclosure about our investments and the financial risks associated with them. In addition, there are some further disclosures about the funding position of the Scheme. We have therefore taken the opportunity of including all the relevant information that the Trustee is required to provide to members in the annual Summary Funding Statement.

Chairman's review continued

2. Our investment summary

Our investment strategy

Our investment strategy is:

1. to secure members' future benefits by reducing risk and delivering consistent, reliable investment performance.
2. to meet the requirements of the Company to achieve 1% above the return on gilts. This requires the Trustee to invest in assets that have an element of additional risk associated with them.

The Scheme's assets had a lower risk profile than in previous years

Financial markets were very volatile during the year. Global equity prices, with the exception of US equities, generally fell and displayed significant movement during the year. Credit spreads generally widened and government bond yields, and those of gilts in particular, mainly fell during the year.

The Scheme entered the financial year with a low risk positioning relative to previous years. Assets had a positive return of 0.9% during the year, but this was below our target return on assets of 3.6%.

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

- Enhance management of inflation risk
- Increase cash flow generation
- Increase flexibility to manage asset re-allocations and transitions.

You can find further details in the Investment report on page 13

3. The outlook

The Scheme is well positioned for the future

The funding level, along with the security provided by Invensys Limited and the Schneider Electric Guarantee, gives the Trustee confidence that the Scheme is well positioned to pay the pensions promised to its members.

The Trustee will continue to assess the financial security of the Scheme

Looking to the future, the Trustee will continue to monitor both the funding level and the security provided by the Company. Where there are opportunities to improve the security of our members' benefits, we will seek to work with the Company to achieve them.

The wider ramifications of the country's decision to leave the European Union will take some time to become clear. As Trustee of the Scheme our focus has been on managing the investments through the volatility that resulted from the decision to leave. We prepared well for the potential consequences and as a result the funding level of the Scheme has not deteriorated substantially. The decision to leave the European Union does not change the benefits that the Scheme pays.

The Trustee will continue to monitor the Scheme's investments closely, looking for ways to deliver the current investment target while managing investment risk.

Thank you to the Board

Once again, the Board has had an eventful year. On a personal note as Chairman, I would like to praise the Board members for their involvement, effort and enthusiasm. They had to tackle 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

12 July 2016

Trustee's report: the year in summary

The accounts in brief

	£m
Fund value at 31 March 2015	**5,161**
Income	
Contributions paid by Invensys Limited and Scheme members	1
Income and capital gains/(losses) from investments	44
Outgoings	
Benefits payable to members (pensions and lump sums)	(254)
Payments to leavers	(15)
Fees and expenses (administration, advisers, investment managers)	(12)
Fund value at 31 March 2016	**4,925**

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 March 2015. The amount required to cover the Scheme's liabilities is known as the Technical Provisions. In the 2015 valuation, the Technical Provisions amounted to £5,082m, giving a Scheme surplus of £67m and a funding level of 101%. This represented an improvement from the previous actuarial report, which showed an estimated surplus of £16m as at 31 March 2014.

The Trustee continues to monitor the funding position of the Scheme using the assumptions that were put in place for the 2015 valuation 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 2016. This reports a deficit of £73m compared with a surplus of £67m at 31 March 2015.

The movements through the last two years that led to the change in funding position are set out below.

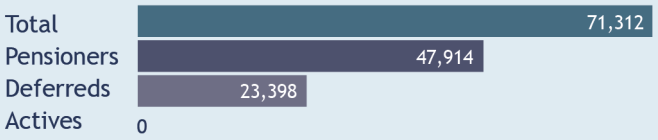
Estimated evolution of the Technical Provision funding level:

	12 months to 31 March 2016 £m	12 months to 31 March 2015 £m
Estimated surplus/(deficit) as at year start	67	16
Contributions paid by Invensys Limited to improve the funding level	-	105
Income and capital gains/(losses) from investments versus expected return	(28)	650
Change of assumptions (from 2015 valuation negotiations)	-	63
Effect of changes in economic conditions and other factors	(112)	(767)
Estimated surplus/(deficit) as at year end	(73)	67

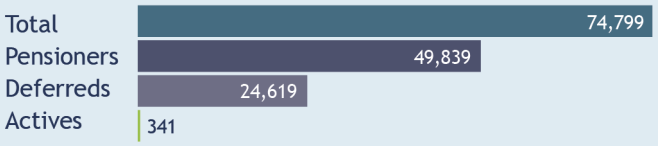
The year in summary: membership profile

Number of members

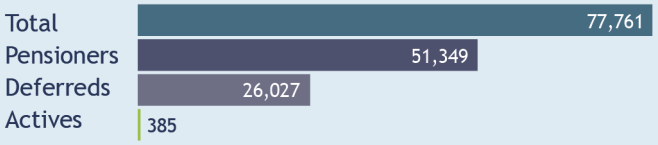
2016 — 71,312



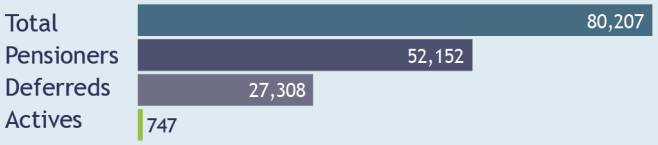
2015 — 74,799



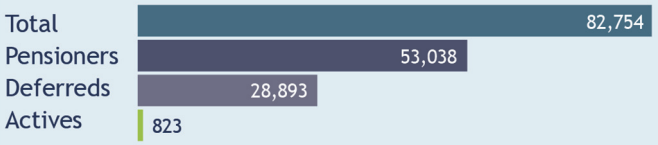
2014 — 77,761



2013 — 80,207



2012 — 82,754

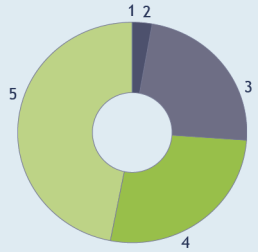


Age profiles

at 31 March 2016

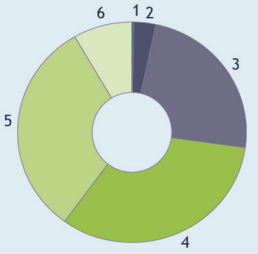
Deferreds

1. 21 - 30	9
2. 31 - 40	665
3. 41 - 50	5,489
4. 51 - 55	6,276
5. 56 and over	10,959
Total	**23,398**



Pensioners

1. 50 and under	252
2. 51 - 60	1,379
3. 61 - 70	11,423
4. 71 - 80	15,802
5. 81 - 90	15,109
6. 91 and over	3,949
Total	**47,914**



Changes in membership during year

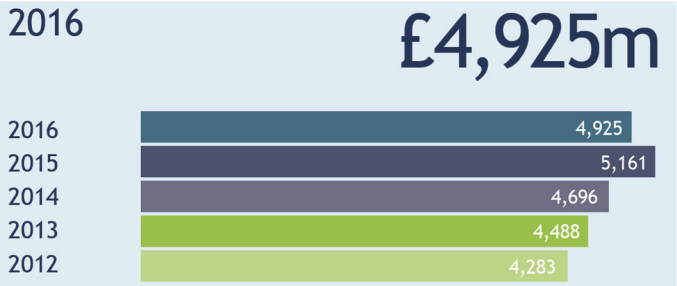
	Actives	Deferreds	Pensioners	Total
At 31 March 2015	341	24,619	49,839	74,799
Retrospective adjustments*	-	(42)	(141)	(183)
New deferreds	(337)	337	-	-
Deaths	-	(36)	(2,869)	(2,905)
Retirements	(4)	(1,148)	1,152	-
Spouse/dependant pensions	-	-	578	578
Leavers**	-	(332)	(645)	(977)
At 31 March 2016	-	23,398	47,914	71,312
Of which, members of the Defined Contribution (DC) Section total	-	195	-	195

*Retrospective adjustments: membership movements recorded after 1 April 2015, which relate to the 2014/15 Scheme year.

**332 leavers in the deferred column relate to transfers out (118 members) and members who retired but converted their pension to a lump sum (214 members). 645 leavers in the pensioner column were existing pensioners with small pension pots who opted to commute their pension in payment.

The year in summary: investment summary

Value of pension fund
(£m)

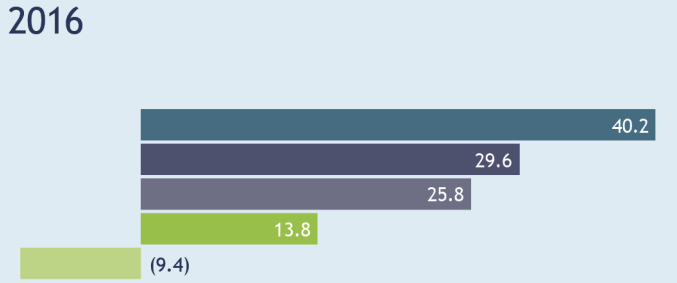


The 2014 asset figure includes the proportion of the Reservoir Trust attributed to the Scheme.

Scheme funding level
(%)

Based on the actuarial assumptions used for funding the Scheme. The 2014 asset figure includes the proportion of the Reservoir Trust attributed to the Scheme.

Distribution of investments by type
(%)

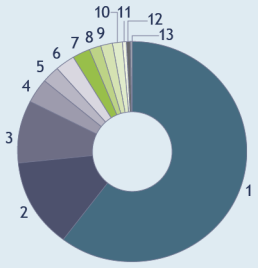


UK Government fixed interest gilts	40.2
UK Government index-linked gilts	29.6
Corporate bonds	25.8
Managed/Unitised funds	13.8
Equities	2.5
Fund of hedge funds	0.1
Other absolute return funds	10.0
Loans	1.3
Cash and Other	(9.4)
Cash and others	3.6
Repurchase Agreements	(8.1)
Derivatives	(5.0)

Annual investment returns
(%)

Distribution of investments by investment manager
(%)

1.	BlackRock LMF*	60.3
2.	AXA*	13.1
3.	M&G (IG Bonds)*	9.3
4.	Barings DAA	3.5
5.	GLG*	2.6
6.	Pioneer	2.6
7.	LGIM	2.5
8.	AllianceBernstein	1.9
9.	BlackRock (Fixed income)	1.6
10.	M&G (Loans)	1.3
11.	BlackRock (Cash vehicle)	0.6
12.	Protected Rights and AVCs	0.6
13.	BlackRock (Hedge Funds)	0.1
14.	Psigma	0.0



*These mandates are run on a segregated basis and the securities are held directly via the Scheme's custodian platform with BNY Mellon.

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

Appointed by Invensys Limited

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 non-executive directorships, including at ARM Holdings plc, Prudential plc, the Bank of England and O2 plc.

Geoff 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 with the Company for 22 years. 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. He was reappointed to the Board in February 2013.

Eleanor Ager

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 supporting commercial compliance in the Major Projects team. She qualified as a solicitor in 1989 and has since been involved in a variety of international corporate and commercial projects, 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 Invensys as Head of Group Tax in January 2005. Previously, he had 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.

General Membership Director

Nathan Blackwell

Nathan worked for 12 years at Invensys' London HQ, where he was ultimately appointed as Director of Corporate Finance. He later joined Thales as UK M&A and Commercial Director. Nathan now works as a director for PwC within its pensions consulting team. He has worked on a number of pension initiatives and he brings that experience with him to the Board. He was appointed to the Board in December 2013.

Pensioner Directors

Ian Fyfe (Deputy Chairman)

Ian is a Chartered Accountant and a Chartered Management Accountant. He worked for 21 years in various financial and management roles in the Angus and Dunlop Groups. He then managed the Dunlop Group Pension Scheme from 1982 until its merger with other BTR schemes in 1988, when he became General Manager of the BTR Group Pension Scheme until his retirement in 1996. Since then, Ian has served as a Director of the Trustee Company.

Nigel Casson-Moss

Nigel has 30 years' experience 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 is a Chartered Accountant and a trustee with financial responsibilities for four charities. He retired in 2012 from Parker SSD Drives, a former subsidiary of Eurotherm, where he worked for 31 years, holding a variety of senior financial roles until moving into general management to head SSD Drives Europe. After Invensys bought Eurotherm, he also worked as Chief Financial Officer at Baan in the Netherlands. As a Member-Nominated Trustee Director since February 2013, Peter brings substantial pension experience, having been a Trustee of many of the schemes of his former employers.

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

Executive Office members

at 31 March 2016

The Board and its committees direct the operation of the Scheme through its Executive Office (EO). The EO comprises:

Andy Smith, Chief Executive Officer

Appointed 3 December 2012

Andy joined IPS from Rothesay Life, a bulk annuity provider, where he was Chief Financial Officer, having held that position since Rothesay Life acquired Paternoster, where he had been Chief Financial Officer 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 more than 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 Committees	Nomination and Remuneration Committee	Company Liaison Committee
K A O'Donovan	✓ (Chairman)		✓ (Chairman)	✓ (Chairman)
N B Casson-Moss		✓ (Chairman)	✓	✓
I R Fyfe	✓		✓	✓
A G Ferris	✓			✓
G C J Campion	✓			
D N Blackwell		✓		
E K Ager		✓		
S C McDonnell		✓		
P B Vos		✓		

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

There were no changes to the Board during the year.

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

AXA Investment Managers UK Ltd

M&G Investment Management Ltd

AllianceBernstein Ltd

Pioneer Asset Management SA

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

About the Scheme

The Invensys Pension 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, and to further accrual for existing members on 31 March 2015.

A Defined Contribution (DC) section of the Scheme was introduced from 1 April 2007. This also closed to further accrual for existing members on 31 March 2015.

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

Trustee arrangements

The Trustee of the Scheme is Invensys Pension Trustee Limited. Invensys Pension Trustee Limited is a company limited by guarantee. This company 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 those assets are sufficient to meet the Scheme's liabilities as they fall due. It ensures that proper accounting records and controls are maintained by the 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 (which are separately calculated and certified by the Scheme Actuary).

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 seven times, the Investment Committee met five times, the Governance and Audit Committee met five times and the DC Governance and Audit Committee met twice.

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 Board 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 six 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 (GAC) 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 auditor and reviews the annual financial audit. of the Scheme's accounts on behalf of the Board.

The DC Governance and Audit Committee (DCGAC) is a subcommittee of the GAC and considers matters relevant to the Defined Contribution section of the scheme. It has the same membership as the GAC.

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.

The Nomination and Remuneration Committee evaluates the balance of skills, knowledge and experience at the Executive Office (EO) and determines remuneration of the EO and makes recommendations to the Company regarding remuneration of the Trustee Directors.

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 matters.

These committees make regular reports and proposals to the Board. Where appropriate, the Board then authorises the actions taken. Board members are the key management personnel of the Scheme.

Actuarial liabilities and valuation

As required by Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' (FRS 102), the financial statements do not include liabilities in respect of promised retirement benefits.

Under Section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its Technical Provisions, which represent the present value of benefits to which members are entitled. This is assessed at least every three years using assumptions agreed between the Trustee and the Company and set out in the Statement of Funding Principles, a copy of which is available to Scheme members on request. Annual updates are presented to the Trustee in other years.

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.

The latest full valuation was as at the effective date of 31 March 2015. An annual update was performed on 31 March 2016. The positions at these dates, together with the previous annual update, were as follows:

	31 March 2016 £m	31 March 2015 £m	31 March 2014 £m
Net assets of the Scheme	4,925	5,161	4,591
Less AVC and DC investments	11	12	12
Value of DB assets	4,914	5,149	4,579
Value of Technical Provisions	4,987	5,082	4,563
Surplus/(shortfall)	(73)	67	16
Funding level	99%	101%	100%

In accordance with the Pensions Act 2004, the Trustee set the method and 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. In setting the method and assumptions, the Trustee took into account both the strength of the Covenant provided by Invensys Limited and the parental guarantee of up to £1.75bn, which it secured from Schneider Electric in January 2014.

A summary of the method and key assumptions is given below:

Method
The actuarial method used to calculate the Technical Provisions was the defined accrued benefits method.

Key assumptions
The assumptions agreed with the Company for the 31 March 2015 valuation 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 103% of the S2PA tables for males and 114% of the S2DA tables for females, both projected in line with the Continuous Mortality Investigation Model (CMI_2014) for future improvements with a 1.5% per annum long-term rate of improvement.

The agreed assumptions gave rise to a funding surplus of £67m as at 31 March 2015. As the Scheme was in surplus, there was no requirement for deficit funding from the Company for the immediate future.

The next full valuation will take place with an effective date not later than 31 March 2018.

Trustee's report continued

Solvency funding position
As at 31 March 2015, it was estimated that the amount required to secure the benefits of the Scheme in full with an insurance company, in the event of the Scheme winding up, was £7,287m, which is a shortfall of £2,138m. This figure is just an indication and does not imply that the Trustee or Invensys Limited are considering winding up the Scheme.

Invensys Limited
There have not been any payments made to Invensys Limited or any of its subsidiary companies out of Scheme funds in the past 24 months.

Nomination of Directors of the Trustee Company

Invensys Limited nominates up to 4 Trustee Directors, including the Chairman.

When a vacancy arises for a Pensioner Director, any retired member of the Scheme who receives a pension from the Trustee may put himself/herself forward. His/her candidature must be supported by nominations from two other pensioner members who receive a Scheme pension. The Governance and Audit Committee then carries out a selection process, which is given final approval by the Board.

Similarly, when a vacancy arises for the position of General Membership Director, any member of the Scheme may put himself/herself forward. His/her candidature must be supported by nominations from two other members of the Scheme, and is subject to the Governance and Audit Committee's selection process and final approval by the Board.

Trustee training, knowledge and understanding

Our Trustee training programme takes account of the particular needs of each Board member and the committees on which he/she serves. Newly appointed Directors receive a comprehensive induction programme. The Board's training policy then requires each Director to undertake a number of days' training each year based on his/her 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.

Training on relevant topics usually takes place at each quarterly Board meeting. In addition, the Trustee undertook a Board Effectiveness review in 2014.

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 01/04/15 – 31/03/16
K A O'Donovan	2.3 days
D N Blackwell	3.2 days
G C J Campion	3.5 days
N B Casson-Moss	2.0 days
A G Ferris	2.8 days
I R Fyfe	2.5 days
E K Ager	1.0 days
S C McDonnell	2.3 days
P B Vos	2.9 days

Trustee attendance

Trustee Directors: attendance for year to 31 March 2016

	Trustee Board	Investment Committee	GAC	DC GAC
Number of meetings/calls held	7	5	5	2
K A O'Donovan	7	4	*	*
D N Blackwell	7	*	1#	0#
G C J Campion	7	5	*	*
N B Casson-Moss	7	*	5	2
A G Ferris	7	5	*	*
I R Fyfe	6	5	*	*
E K Ager	6	*	5	1
S C McDonnell	7	*	5	2
P B Vos	7	*	5	2

* The Director is not a member of that committee and attends as an invitee only.
# The Director was a member of the committee for part of the year

During the year ended 31 March 2016, the following payments were made:

Chairman – received an annual salary of £91,500.

Pensioner Directors – received a per diem rate.

General Member Director – received a per diem rate.

Company Nominated Directors – were remunerated by the Company, or received a per diem rate.

Communication

The Board ensures that we communicate with all members on a regular basis. During the year, the Scheme issued three 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.

Trustee's report continued

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 contemplating these issues, the Trustee has to consider 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. The investment managers do take social, ethical and environmental issues into account where they feel they may make a difference to fund performance.

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 is 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 delivered 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 efficient decision-making processes and adopting pension industry best practice, where this is appropriate for the Scheme.

The management of risk

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

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

- operational risks including pension administration
- corporate sponsor
- external factors affecting the Scheme's investments
- internal factors affecting 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 and notes to the financial statements for more details.

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

Trustee's report continued

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.

Audit function and processes

The Scheme's auditor, Ernst & Young LLP, performs a financial audit each year. 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. An appropriate copy charge will be made.

To consolidate further legislative and Scheme developments, a Fourth Definitive Trust Deed and Rules has been drafted and is with the Company for consideration.

Contributions

On 31 March 2015, the Scheme closed to future accrual and there were no active contributing members from that date.

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 40 and shows contributions payable under the Schedules of Contributions that existed during the year. The current schedule of contributions became effective on 7 January 2016, replacing the one signed 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 portion, which receives statutory increases in line with Pension Increase Orders published by the UK 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 2015 was 3%.

On 1 January 2015, the Trustee introduced a Pension Increase Exchange option for members retiring after that date. This gives members the option to exchange future pension increases for a higher initial pension, which will not increase by as much in the future. The Company is currently in the process of making a Pension Increase Exchange offer to pensioner members.

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 2016.

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

12 July 2016

Investment report

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

The Invensys Pension Scheme is a mature scheme. On 31 March 2015, the Scheme closed to future accrual. All active members became deferred members, and the Scheme stopped receiving ongoing contributions from the active membership. The Scheme is a substantial net payer of benefits. 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 £280m or 6% of its asset base was paid out in the 2016 financial year.

Scheme Investment Strategy

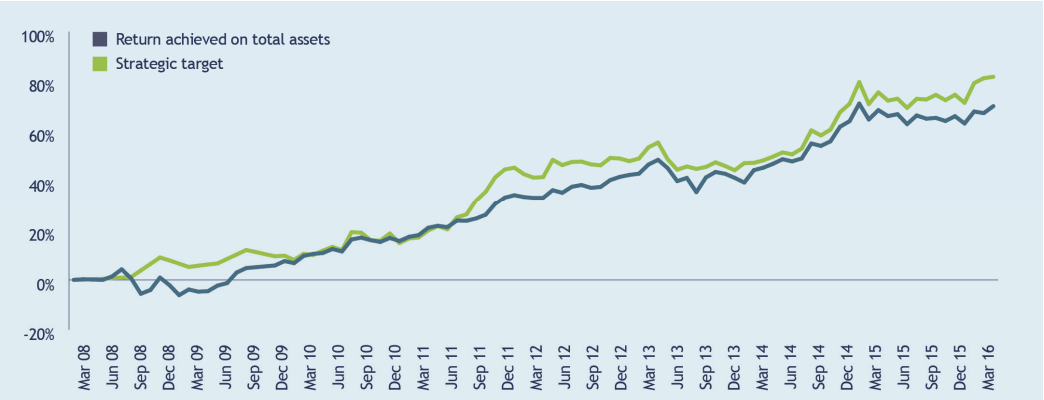
The Scheme's investment objective is to achieve investment returns that ensure the assets of the Scheme are sufficient to meet each member's benefits and the Scheme's expenses as they fall due over time.

The Scheme's Technical Provisions imply a required return on investments equivalent to UK Government gilt yields + 1.0% per annum. The Trustee has been set a Strategic Target which is to deliver the return implied by the Technical Provisions over the long term. The Trustee's investment policy for the Scheme's Defined Benefit section is designed to achieve the Strategic Target. In order to deliver gilts + 1.0%, the Trustee has to invest in assets that have an element of risk associated with them. The risks, and the framework for managing them, are described in detail in the notes to the financial statements.

This Strategic Investment 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. 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.



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

At the investment level, the Trustee sets specific performance targets for each underlying investment manager. These specific targets naturally have shorter time 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:

- long-term monitoring of the performance of the assets against the Strategic Target, equivalent to the Technical Provisions (as above)
- ongoing monitoring of the performance of the assets against the IMT (see investment managers' performance section).

Investment report continued

The Strategic Target corresponded to a return of 3.6% in the year to 31 March 2016. Its value reflects the impact of lower gilt yields, which decreased in aggregate by 0.1ppts, increasing the value of the Technical Provisions by c. £70m. The IMT corresponded to a return of 3.6%.

The Trustee determines the investment strategy after taking advice from a professional investment adviser. The 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 match fully the liabilities of the Scheme with its assets. This is mainly because of the requirements imposed by the Company. 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 + 1.0% 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 60% of the assets, which are held directly via the Scheme's custodian platform with BNY Mellon.

2. An Investment Portfolio. This seeks to access the risk premium of a diversified portfolio of return-seeking assets. It also seeks to benefit from the additional performance available from active management, where considered appropriate. The total Investment Portfolio currently represents 38% of the assets.

   Mandates using primarily investment grade bonds make up 25% of the assets and were managed by:

   - AXA
   - M&G
   - GLG.

   The remaining 13% comprise:

   - a Fixed Income Global Alpha (FIGA) 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 were allocated to DC and AVCs plans or left in cash to satisfy the Scheme's short-term payment obligations.

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-month to 36-month rolling periods. Medium to long periods of review are essential, as they enable managers to be judged over a 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 2016 was marked by an increased divergence in macro-economic performance around the world and in the policy responses from central banks and governments. This in turn contributed to significant volatility in financial markets.

On one hand, GDP growth remained relatively strong in the US and the unemployment rate continued to fall. This gave the US Federal Reserve sufficient confidence to increase its base rate in December for the first time in ten years. On the other hand, economic performance in China, a significant engine to global growth in the past few years, has disappointed. It remains unclear as to whether the interventions of Chinese authorities will prove sufficient to stem the slowdown.

In Europe, central banks have pursued policies aimed at fending off the prospects of low inflation. The ECB pushed its deposit rate further into negative territory in December and announced that it would include corporate bonds in its bond purchase programme. Expectations of rate increases by the Bank of England have been pushed further into the future. This, in particular, contributed to gilt yields falling during the year.

Financial markets were very volatile during the year. Global equity prices, with the exception of US equities, generally fell and displayed significant movement during the year: the peak-to-trough on US and UK equities was around 15% and 25% respectively. Credit spreads generally widened and government bond yields, and those of gilts in particular, mainly fell during the year.

The Scheme entered the financial year with a low risk positioning relative to previous years. But this was not sufficient to fully protect the funding level. The Scheme's assets achieved a return of 0.9% over the year. This was 2.7ppts below the Investment Manager Target and the Strategic Target, each of 3.6% (see page 13 for graphical analysis). The Investment Management Target is split between the target for the LMF and the target for the Investment Portfolio. Most of the shortfall from the Investment Management Target was due to the underperformance of the Investment Portfolio.

The LMF had a total return of 1.8% for the year as a result of the fall in gilt yields. The return was 1.7ppt below the LMF's target of 3.5%. This is largely because the LMF holds some gilts for the purpose of generating a return over swaps over the long term. This meant that, as swap rates fell more in value than gilt yields during the year, the LMF underperformed its target. The relative movement of swap rates and gilt yields has been more significant than in previous years and seems to have resulted from the impact of regulatory changes on banks and insurance companies.

The Investment Portfolio had an overall disappointing performance with a total return of minus 0.4% for the year against a target of 3.7%. Among the worst-performing mandates were the allocation to equities and a dynamic asset allocation fund, which both suffered from the fall in equity prices. Within the mandates that seek to achieve a return from investing in credit markets, the performance was quite diverse. The largest mandates, AXA and M&G, which tend to pursue a lower risk strategy and the M&G Loans and AllianceBernstein Broad Bonds remained relatively shielded against credit spreads widening, with some of them still generating a positive performance. The mandates with a larger risk profile, such as the IG Bonds mandate with GLG and the Broad Bonds mandate with Pioneer, were more negatively affected. Fixed Income Global Alpha managed to capture opportunities from the more volatile environment, although its return was below the longer-term expectations.

Investment report continued

Investment managers' historical performance

				Investment return % pa			
		Holdings at 31 March 2016		12 months to 31 March 2016		3 years to 31 March 2016[1]	
Investment Manager	Style	£m	% of total	Actual %	Target %	Actual %	Target %
Liability Matching Fund (LMF)							
BlackRock[2]		2,955	60.0	1.8	3.5	6.4	6.7
Investment Portfolio							
AXA	IG bonds	644	13.1	1.2	4.1	3.7	3.7
GLG	IG bonds	127	2.6	(3.9)	4.6	3.2	4.6
M&G	IG bonds	454	9.2	(0.5)	1.9	2.0	2.2
AllianceBernstein	Broad bonds	95	1.9	0.9	3.6	1.7	3.6
Pioneer	Broad bonds	125	2.5	(1.2)	3.6	1.9	3.6
Barings	DAA	171	3.5	(3.3)	4.6	2.7	4.5
LGIM[3]	Equity	121	2.5	(5.6)	4.7	7.3	4.7
Blackrock (FIGA)	Hedge funds	80	1.6	3.5	6.0	3.7	8.4
M&G	Loans	65	1.3	3.3	4.6	4.4	4.6
Investment Portfolio[4]		**1,882**	**38.2**	**(0.4)**	**3.7**	**2.9**	**3.8**
Cash		**31**	**0.6**	**0.5**			
Managed assets[4]		**4,868**	**98.8**	**0.9**	**3.6**	**5.0**	**5.6**
Protected rights/DCs/AVCs		**29**	**0.6**				
Net financial assets		**4,897**	**99.4**				
Net current assets and other[5]		**28**	**0.6**				
Net assets of the Scheme		**4,925**	**100.0**				

The numbers in this table may not add up exactly because of rounding differences.

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

2 BlackRock's performance includes the swaptions portfolio from its inception in July 2011 to closure over Q4 2013. The target calculation methodology changed from 30 June 2014. Target returns up to and after this date have been chain-linked.

3 The LGIM target shown above is the Scheme target of Libor + 4% for the investment, whereas the manager aims to track an equity index.

4 The target for the IP and the managed assets reflects the IMT.

5 Other includes BlackRock FoHF, which is in wind-up

Key initiatives performed during the year

- **Enhance management of inflation risks.** The Trustee continued working towards enhancing its approach to managing inflation risks. It focused on better aligning the inflation-linked assets held by the Scheme with the promised pension increases, which mainly rise in line with inflation, subject to a minimum of 3% and a maximum of 5%. This was achieved by using inflation swaps that are subject to the same minimum and maximum within the LMF. The calibration of the Trustee's inflation risk management strategy was also reviewed in light of the bulk PIE exercise, which has an impact on the liabilities' inflation exposure.

- **Increase asset cash flow generation.** The Trustee regularly reviews the efficiency of its asset allocation in delivering both the required returns and cash flows to pay pensions. As part of this, the allocation to index-linked gilts, which pay a low cash coupon and are used to generate a return above swaps within the LMF, was reduced and the allocation to fixed-interest gilts increased. This also allowed the Trustee to reduce the funding level sensitivity to the difference between gilt yields and swap rates.

- **Increase flexibility to manage asset re-allocations and transitions.** The Trustee has taken a number of steps to facilitate the process of re-allocating its investment between different asset classes or asset managers and reduce potential transition costs. This included adding investment funds to the roster of mandates that the Scheme can contribute to and increasing, where appropriate, the dealing frequency of the mandates.

Investment report continued

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. Since 1 September 2006, the Bank of New York Mellon SA/NV has been the Scheme's global custodian. A separate branch of the custodian, based in the US, safeguards the Fund of Hedge Funds.

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 custody services are arranged through the fund provider.

The Trustee, together with its Investment Adviser, keeps the effectiveness of the custodial arrangements under review. 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

The Scheme had three holdings with a value greater than 5% of the net assets of the Scheme as shown in the table below.

	Market value £m	Percentage of net assets %
United Kingdom gilt 4.500% 12/07/2042	335.4	6.8
United Kingdom gilt 4.250% 09/07/2039	286.0	5.8
United Kingdom gilt 4.250% 17/07/2055	256.8	5.2

An analysis of investments is shown in the notes to the Scheme's financial statements on pages 29 to 33. The aggregate amounts of sales and purchases of investments during the year are also shown in those notes.

Additional Voluntary Contributions (AVCs) and Defined Contribution (DC)

The AVCs scheme was closed to new accounts from April 2006. Scheme members stopped being able to make AVCs payments under the Scheme from 31 March 2015.

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 AVCs provider of their original scheme.

The Trustee reviews the fund range and lifestyle options for the DC section at least every three years. This was last reviewed following the introduction of the flexibilities that arose under the 2014 budget. The AVC fund range was reviewed at the same time.

Statement of Trustee's responsibilities

The Trustee is responsible for obtaining audited financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and for making available certain other information about the Scheme in the form of an Annual Report.

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

- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of that year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year, and
- contain the information specified in the Schedule to The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the financial statements have been prepared in accordance with the Statement of Recommended Practice 'Financial Reports of Pension Schemes' (revised November 2014).

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

The Trustee is responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates of normal contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme and the dates on or before which such contributions are to be paid.

The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for monitoring whether contributions are made to the Scheme by the employer in accordance with the Schedule of Contributions. Where breaches of the schedule occur, the Trustee is required by the Pensions Act 1995 and 2004 to consider making reports to the Pensions Regulator and the members.

The Trustee has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

Statement regarding DC governance

For the year ended 31 March 2016

The Occupational Pension Schemes (Scheme Administration) Regulations 1996 ('the Administration Regulations') require the Trustee to include an annual statement regarding governance in the Annual Report.

Default arrangement

The Scheme is not used for auto-enrolment, having closed to future accrual on 31 March 2015. As such, it is not required to meet the new requirements for default arrangements. However, for information purposes the Trustee has provided details of the default arrangement that operated prior to closure of the Scheme.

Members of the DC section of the Scheme who did not make an explicit choice regarding the investment of their funds were invested into the lifestyle option as the default arrangement.

The objective of this fund is to provide investment growth by investing in return-seeking assets at younger ages when funds are invested wholly in equities, with a gradual switching of assets over the 20 years before the member's expected retirement date, towards a final position of 25% cash and 75% index-linked gilts. The lifestyle fund itself invests in a series of funds managed by Legal & General Investment Management Ltd. The funds are managed passively and annual management charges are currently in the region of 0.1% to 0.165% of the fund value, depending on the fund.

By investing in this manner, the Trustee expects to deliver growth over the member's lifetime within the Scheme without excessive risk taking, with an increased focus in later years of reducing volatility to enable members approaching retirement to make financial plans for the period after retirement. The Trustee considers this approach to be in the best interests of relevant members and relevant beneficiaries.

The principles noted above relating to the default arrangement were last reviewed by the Trustee in November 2014 and are due to be reviewed every three years thereafter. At the last review, the Trustee introduced a second lifestyle option that gradually switches investments to a final position invested 100% in cash. This was introduced in recognition of the freedom and legislation announced in the 2014 Budget.

Processing scheme transactions

The Trustee has a specific duty to ensure that core financial transactions (including transfer of member assets into and out of the Scheme, transfers between different investments within the Scheme and payments to and in respect of members) relating to the DC section are processed promptly and accurately.

These transactions are undertaken on the Trustee's behalf by the Scheme administrator, Punter Southall Limited, and its investment manager, Legal & General Investment Management Ltd. The Trustee has agreed service levels and reports on performance against those service levels. In addition, the Trustee reviews the administrator's AAF report to support its assessment of whether the controls are operating effectively.

In the light of the above, the Trustee considers that the requirements for processing core financial transactions specified in the Administration Regulations have been met.

Transaction costs

The Administration Regulations require the Trustee to make an assessment of charges and transactions costs borne by DC section members and the extent to which those charges and costs represent good value for money for members.

The Company is responsible for paying all the administration costs associated with the DC section of the Scheme. In addition, the Company pays a flat annual fee to the investment manager. The member incurs costs ranging from 0.10% pa to 0.165% pa, depending on the fund. This is significantly lower than the maximum allowed of 0.75% for a default fund. The Trustee is satisfied that it has negotiated a good deal for members, taking account of the size of the DC funds and the fact that there will be no future contributions to increase the fund size.

Trustee knowledge and understanding

Sections 247 and 248 of the Pensions Act 2004 set out the requirement for the trustees to have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational pension schemes, investment of Scheme assets and other matters to enable them to exercise their functions as trustees properly. This requirement is underpinned by guidance in the Pension Regulator's Code of Practice 07. The comments in this section relate to the trustee as a body in dealing with the whole scheme and are not restricted to the DC section.

Statement regarding DC governance continued

The Trustee has put in place arrangements for ensuring that Trustee Directors take personal responsibility for keeping up to date with relevant developments and carry out a self-assessment of training needs. The Executive Office arranges for training to be made available to individual Trustee Directors or to the whole Trustee body as appropriate. The secretary to the Scheme records the training undertaken, which is then reported in the Annual Report. In addition, the Trustee receives advice from professional advisers, and the relevant skills and experience of those advisers is a key criterion when evaluating adviser performance or selecting new advisers.

All the existing Trustee Directors have completed the relevant sections of the Pension Regulator's Trustee Toolkit and new Trustee Directors are required to complete this within six months of taking up office. Taking account of actions taken individually and as a trustee body, and the professional advice available to it, the Trustee Directors consider that they are properly enabled to exercise their functions as trustees.

DC Scheme governance

As Trustee of the Invensys Pension Scheme, we have reviewed and assessed that our systems, processes and controls across key governance functions are consistent with those set out in the Pensions Regulator's:

- Code of practice 13: Governance and administration of occupational defined contribution trust-based schemes
- Regulatory guidance for defined contribution schemes.

These are underpinned by the DC quality features.

Based on our assessment, we believe that we have adopted the standards of practice set out in the DC code and DC regulatory guidance. These help demonstrate the presence of DC quality features, which we believe will help deliver better outcomes for members at retirement.

The Statement regarding DC governance was approved by the Trustee and signed on its behalf by:

Kathleen O'Donovan
Chairman

12 July 2016

Actuary's certificate of the calculation of Technical Provisions

Name of scheme: Invensys Pension Scheme

Calculation of Technical Provisions

I certify that, in my opinion, the calculation of the Scheme's Technical Provisions as at 31 March 2015 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 7 January 2016.

Steve Leake
Fellow of the Institute and Faculty of Actuaries
Punter Southall Ltd
Tempus Court
Onslow Street
Guildford
Surrey GU1 4SS

25 January 2016

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 2016, which comprise the fund account, the statement of net assets and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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

Respective responsibilities of the Trustee and auditor

As explained more fully in the Statement of Trustee's Responsibilities set out on page 18, 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 & Financial Statements 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 2016, 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

Ernst & Young LLP
Statutory Auditor
London

15 July 2016

Fund account
For the year ended 31 March 2016

Contributions and benefits	Note	2016 £m	2015 £m
Employer contributions	3	**1.3**	109.2
Employee contributions	3	**-**	0.3
Total contributions		**1.3**	109.5
Benefits payable	4	**(253.5)**	(240.1)
Payments to and on account of leavers	5	**(14.6)**	(6.5)
Administrative expenses	6	**(5.7)**	(6.2)
		(273.8)	(252.8)
Net withdrawals from dealings with members		**(272.5)**	(143.3)
Returns on investments			
Investment income	7	**122.0**	114.0
Change in market value of investments	9	**(78.0)**	611.2
Investment management expenses	8	**(6.9)**	(11.7)
Net returns on investments		**37.1**	713.5
Net (decrease)/increase in the fund during the year		**(235.4)**	570.2
Opening net assets of the Scheme at 1 April		**5,160.7**	4,590.5
Closing net assets of the Scheme at 31 March		**4,925.3**	5,160.7

Statement of net assets
As at 31 March 2016

Investments	Note	2016 £m	2015 £m
Investment assets	10		
Bonds		**4,687.5**	4,812.8
Pooled investment vehicles		**787.6**	798.4
Derivative contracts		**469.3**	451.9
Cash instruments		**14.3**	23.9
AVC investments		**7.1**	7.8
DC investments		**3.7**	3.9
Other financial assets		**36.9**	43.0
Cash deposits		**7.3**	14.2
Financial assets		**6,013.7**	6,155.9
Investment liabilities	10		
Derivative contracts		**712.5**	607.7
Repurchase agreement liabilities		**398.5**	395.2
Other financial liabilities		**1.3**	8.5
Financial liabilities	10	**(1,112.3)**	(1,011.4)
Total net investments	9	**4,901.4**	5,144.5
Current assets	12	**31.9**	25.7
Current liabilities	13	**(8.0)**	(9.5)
Net assets of the scheme at 31 March		**4,925.3**	5,160.7

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits that fall due after the end of the Scheme year.

The actuarial position of the Scheme, which does take account of such obligations, is dealt with in the statement by the Scheme Actuary on page 21 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

12 July 2016

Directors

Notes to the financial statements

1 Basis of preparation

The financial statements have been prepared in accordance with the Occupational Pensions Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) (Amendment) Regulations 2016, Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' issued by the Financial Reporting Council and the guidance set out in the Statement of Recommended Practice (2015). The provisions in the March 2016 amendments to FRS 102 relating to fair value hierarchy disclosures have been adopted early.

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 2016.

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, the Scheme's functional currency, at the rate of exchange ruling at the Scheme year-end. Gains and losses on foreign currency investment and cash balances are shown in aggregate within the change in market value of investments to which they relate in the Fund Account.

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

g Investment assets

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

Unlisted investments are stated at the Trustee's estimate of fair value based on the 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 price, which excludes 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 statement of net assets 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 that 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 either reported within investment income or 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 were 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 on an accruals basis. 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 accruals 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

	2016 £m	2015 £m
Employers		
Normal	-	0.2
SMART	-	3.0
Levy reimbursement	0.1	0.2
Westinghouse mitigation funding*	-	104.7
Augmentation+	1.2	1.1
	1.3	109.2
Members		
Normal	-	0.2
AVCs	-	0.1
	-	0.3
	1.3	109.5

* Westinghouse mitigation payments were paid in accordance with the Schedule of Contributions. The 2015 figure is the funds transferred to the Scheme following the closure of the Reservoir Trust.

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

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 for 2015 include the following contributions relating to the Defined Contribution section: £10k employer normal, £191k employer SMART and £4k member normal.

4 Benefits payable

	2016 £m	2015 £m
Pensions	222.6	222.0
Commutations and lump sum retirement benefits	30.2	17.2
Lump sum death benefits	0.7	0.9
	253.5	240.1

5 Payments to and on account of leavers

	2016 £m	2015 £m
Individual transfers to other schemes	14.6	6.5
	14.6	6.5

Notes to the financial statements continued

6 Administrative expenses

	2016 £m	2015 £m
Administration and processing	**3.5**	3.3
Pension Protection Fund levy	**0.2**	0.3
Actuarial fees	**0.3**	0.3
Legal and other professional fees	**1.0**	1.2
Audit fees	**0.1**	0.1
Directors' fees	**0.1**	0.2
Exceptional expenses	**0.5**	0.8
	5.7	6.2

Note: Exceptional expenses related to the closure of the Scheme to future accrual and liability management exercises, such as PIE at retirement.

7 Investment income

	2016 £m	2015 £m
Income from bonds	**110.2**	107.3
Interest on cash deposits and margin accounts	**1.6**	2.7
European loan income	**2.5**	2.8
Annuities received	**0.7**	0.7
Repo interest expense	**(3.1)**	(2.3)
Income from derivatives (swaps)	**3.3**	1.1
Broad bond fund income	**4.4**	1.4
Other	**2.4**	0.3
	122.0	114.0

8 Investment management expenses

	2016 £m	2015 £m
Administration, management, custody	**7.4**	7.1
Performance-related fees	**(0.5)**	4.6
	6.9	11.7

Notes to the financial statements continued

9 Investments – reconciliation table

	As at 31 March 2015 £m	Purchases at cost and derivative payments £m	Sales proceeds and derivative receipts £m	Market value movement £m	**As at 31 March 2016 £m**
Bonds	4,812.8	806.3	(955.7)	24.1	**4,687.5**
Pooled investment vehicles	798.4	410.5	(407.2)	(14.1)	**787.6**
Derivative contracts	(155.8)	133.6	(128.8)	(92.2)	**(243.2)**
Repurchase agreement liabilities	(395.2)	878.0	(881.3)	-	**(398.5)**
Cash instruments	23.9	60.6	(70.1)	(0.1)	**14.3**
AVCs investments	7.8	-	(0.8)	0.1	**7.1**
DC investments	3.9	0.1	(0.2)	(0.1)	**3.7**
	5,095.8	2,289.1	(2,444.1)	(82.3)	**4,858.5**
Other financial assets and liabilities	34.5			-	**35.6**
Cash deposits	14.2			4.3	**7.3**
	5,144.5			(78.0)	**4,901.4**

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

Transaction costs are included in the cost of purchases and deducted from sale proceeds. Direct transaction costs include costs charged directly to the Scheme such as fees, commissions, stamp duty and other fees. Net transaction costs included above were commission of £6k (2015: £5k). 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

	2016		2015	
	Assets £m	**Liabilities £m**	Assets £m	Liabilities £m
Bonds	**4,687.5**	**-**	4,812.8	-
Pooled investment vehicles	**787.6**	**-**	798.4	-
Derivative contracts	**469.3**	**712.5**	451.9	607.7
Repurchase agreement liabilities	**-**	**398.5**	-	395.2
Cash instruments	**14.3**	**-**	23.9	-
AVCs investments	**7.1**	**-**	7.8	-
DC investments	**3.7**	**-**	3.9	-
Other financial assets and liabilities	**36.9**	**1.3**	43.0	8.5
Cash deposits	**7.3**	**-**	14.2	-
	6,013.7	**1,112.3**	6,155.9	1,011.4
Total net financial assets	**4,901.4**		5,144.5	

Notes to the financial statements continued

10 Investments – financial assets and liabilities continued

Bonds	2016 £m	2015 £m
Fixed interest securities		
UK public sector quoted	**1,970.5**	1,465.4
Corporate quoted	**1,134.4**	1,276.9
Overseas public sector quoted	**2.1**	8.6
Other	**56.4**	48.6
Index-linked securities		
UK quoted	**1,453.2**	1,941.4
Other	**70.9**	71.9
	4,687.5	4,812.8

Included within investments above are assets of £571.4m (2015: £561.1m) available for use as collateral when required. As at the year-end, £247.4m (2015: £137.3m) was deployed as net collateral posted in favour of counterparties to derivative contracts and repurchase agreements open at the year-end.

Pooled investment vehicles	2016 £m	2015 £m
Fund of Hedge Funds	**3.1**	4.8
Bond funds	**218.7**	223.3
Equity funds	**120.7**	127.8
Dynamic Asset Allocation	**170.5**	176.0
Hedge fund	**80.5**	76.7
Loan fund	**64.7**	65.1
Cash funds	**110.9**	106.3
Unit trusts other	**18.5**	18.4
	787.6	798.4

As of 31 March 2016, the Scheme had £660.5m (2015: £663.9m) invested in pooled investment vehicles whose managers are registered in the United Kingdom. It also had £127.1m (2015: £134.5m) 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.

	2016		2015	
Derivative contracts	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Swaps	**467.9**	**697.6**	434.9	602.8
Futures contracts	**0.4**	**-**	0.8	0.4
Forward foreign exchange	**1.0**	**14.9**	16.2	4.5
	469.3	**712.5**	451.9	607.7
Net derivative liabilities		**243.2**		155.8

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. They may also use credit default swaps to manage credit risk.

Interest rate swaps

Maturity years	No. of contracts	Pay fixed notional £m	Receive fixed notional £m	Assets £m	Liabilities £m
0-5	23	103.6	427.8	38.1	5.4
5-10	33	142.2	320.0	105.8	10.1
10-30	54	270.6	418.2	181.6	229.9
30-50	29	198.3	42.9	76.1	346.0
Total	**139**	**714.7**	**1,208.9**	**401.6**	**591.4**

Inflation swaps

Maturity years	No. of contracts	Receive RPI notional £m	Pay RPI notional £m	Assets £m	Liabilities £m
0-5	22	1,294.9	176.8	1.6	20.6
5-10	18	351.6	29.0	0.3	33.5
10-30	33	249.8	291.1	36.3	46.8
30-50	12	11.5	79.8	28.0	4.9
Total	**85**	**1,907.8**	**576.7**	**66.2**	**105.8**

Inflation swaps where the Scheme pays a fixed rate and receives RPI with a floor of 3% and a cap of 5% and total notional of £1,000m have been included in the table above.

Credit default swaps

Maturity years	No. of contracts	Buy protection notional £m	Sell protection notional £m	Assets £m	Liabilities £m
1-3	1	-	7.9	0.1	-
Total	**1**	**-**	**7.9**	**0.1**	**-**

Currency swaps

Maturity years	Pay/Receive currency	No. of contracts	Notional £m	Assets £m	Liabilities £m
0-5	Pay EUR/Receive GBP	2	39.2	-	0.3
5-10	Pay EUR/Receive GBP	1	15.7	-	0.1
Total		**3**	**54.9**	**-**	**0.4**

Total swaps	**467.9**	**697.6**

Notes to the financial statements continued

10 Investments – financial assets and liabilities continued

Futures contracts

Maturity	Type of future	No. of contracts	Economic exposure £m	Assets £m	Liabilities £m
Under 3 months	UK gilt	1	39.5	0.3	-
Under 3 months	Overseas fixed interest	4	(33.3)	0.1	-
Total		**5**		**0.4**	**-**

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 affect 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 £m	Assets £m	Liabilities £m
Within 3 months	Pay GBP/Receive EUR	7	65.8	0.7	-
Within 3 months	Pay EUR/Receive GBP	21	291.4	-	13.0
Within 3 months	Pay GBP/Receive USD	4	5.7	-	-
Within 3 months	Pay USD/Receive GBP	11	120.7	0.3	1.9
Within 3 months	Pay NOK/Receive GBP	4	1.2	-	-
Total		**47**	**484.8**	**1.0**	**14.9**

Repurchase agreements

As at 31 March 2016

Nature	Underlying investment	Term	Nominal £m	Liability £m
Repo sell	UK Treasury gilt	Less than 12 months	279.5	398.5

The value of the gilts sold as part of the repurchase agreements was £409.6m as of 31 March 2016. The Scheme held £8.7m of collateral posted by its repo counterparts.

Cash instruments

	2016 £m	2015 £m
Cash instruments	**14.3**	23.9
AVCs investments (see note 11)	**7.1**	7.8
DC investments (pooled funds)	**3.7**	3.9

Other financial assets and liabilities

	2016		2015	
	Assets £m	**Liabilities £m**	Assets £m	Liabilities £m
Accrued interest	**35.9**	**-**	35.4	-
Amounts due from/to brokers/managers	**1.0**	**1.3**	7.6	8.5
	36.9	**1.3**	43.0	8.5
Net other financial assets	**35.6**		34.5	

Notes to the financial statements continued

10 Investments – financial assets and liabilities continued

Cash deposits

	2016 £m	2015 £m
Sterling	**4.2**	6.9
Foreign currency	**3.1**	7.3
	7.3	14.2

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 2015	703	389	63	1,155
31 March 2016	**604**	**377**	**54**	**1,035**

Funds

	Prudential £m	Equitable Life £m	Other £m	Total £m
Members' funds at 31 March 2015	4.4	2.2	1.2	7.8
Interest and bonuses	-	0.1	-	0.1
Withdrawals/transfers out	(0.4)	(0.2)	(0.2)	(0.8)
Members' funds at 31 March 2016	**4.0**	**2.1**	**1.0**	**7.1**

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

12 Current assets

	2016 £m	2015 £m
Contributions due (see note 16)	**-**	0.3
Cash balances	**31.3**	24.3
Other debtors	**0.6**	1.1
	31.9	25.7

13 Current liabilities

	2016 £m	2015 £m
Other creditors	**0.3**	-
Unpaid benefits	**1.2**	0.7
Accrued expenses	**6.5**	8.8
	8.0	9.5

Notes to the financial statements continued

14 Investment risks

Types of risk relating to investments

FRS 102 requires the disclosure of information in relation to certain investment risks.

Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge its obligation.

Market risk: this comprises currency risk, interest rate risk and other price risk.

- Currency risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- Interest rate risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- Other price risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Scheme has exposure to these risks because of the level of investment returns that it is required to achieve to meet its funding objectives. The Trustee seeks to maintain investment risks, including credit risk and market risk, within agreed limits that are set taking into account the Scheme's strategic investment objectives. The investment objectives and risk limits are implemented through the investment management agreements in place with the Scheme's investment managers and monitored by the Trustee as part of regular reviews of the Investment Portfolio. The Trustee's investment strategy is set out in the Investment report.

The following table summarises the extent to which the various classes of investments are affected by financial risks:

				Market risk			Holding £m	
Investment Manager	Style	Investment vehicle	Credit risk	Currency	Interest rate	Other price	2016	2015
Liability Matching Fund (LMF)								
BlackRock		Segregated	○	○	●	○	**2,955**	**2,971**
Investment Portfolio								
AXA	IG bonds	Segregated	●	◉	●	○	644	721
GLG	IG bonds	Segregated	●	◉	●	○	127	139
M&G	IG bonds	Segregated	●	◉	●	○	454	553
AllianceBernstein	Broad bonds	Pooled	●	◉	●	○	95	94
Pioneer	Broad bonds	Pooled	●	◉	●	○	125	130
Barings	DAA	Pooled	●	◉	○	●	171	176
LGIM	Equity	Pooled	○	◉	○	●	121	128
Blackrock (FIGA)	Hedge funds	Pooled	○	◉	○	●	80	83
M&G	Loans	Pooled	●	◉	●	○	65	65
Investment Portfolio							**1,882**	**2,089**
Cash			○	◉	○	○	**31**	**53**
Managed assets							**4,868**	**5,113**
Protected rights/DCs/AVCs		Pooled	◉	◉	◉	◉	29	30
Net financial assets							**4,897**	**5,143**
Net current assets and other							28	18
Net assets of the Scheme							**4,925**	**5,161**

In the above table, the risk noted affects the asset class [●] significantly, [◉] partially or [○] hardly/not at all.

Further information on the Trustee's approach to risk management, credit and market risk is set out below. This does not include the legacy insurance policies or AVCs or DC investments, because these are not considered significant in relation to the overall investments of the Scheme.

Overall framework for investment risk management

Overall approach for investment risk budgeting
The Trustee believes that the maturity of the Scheme and the impact of its size on the Company covenant together warrant a strong focus on managing risk and pursuing the chosen return target in a risk-controlled manner.

The Trustee has a set a Strategic Investment Return and Risk Framework that is used to assess the level of investment risk within the Scheme and its appropriateness given the Scheme's funding objectives and the Sponsor's financial strength.

The budget for investment risks is derived from striking a balance between three factors:

(1) The need for generating investment returns, which is a function of the Scheme's funding objectives

(2) The affordability of investment risks by the Sponsor, which is a function of its capacity to sustain a significant deterioration in the Scheme's funding level and contribute to its recovery

(3) The investment environment, which may or may not favour taking investment risks.

Each of these factors is assessed using metrics that are regularly updated and reviewed using inputs from the Trustee's investment, actuarial and employer covenant advisers.

The Trustee seeks to control investment risks primarily by setting the following:

- A minimum holding in 'off-risk' assets such as cash and government bonds, primarily held in its Liability Matching Fund
- Minimum interest rate risk and inflation risk coverage ratio to protect the funding level against the impact of changes in interest rates and inflation
- The permitted asset classes for the investment managers and applicable ranges
- Investment constraints and risk guidelines within the investment managers' mandates to avoid excessive concentration and risk taking
- Limits on counterparty exposure where the Scheme has entered into derivative instruments or gilt repurchase agreements, as detailed in note 10.

Given its maturity, the Scheme has to generate significant cash flows from its assets to fund benefit payments. The investment risks associated with this are managed through a liquidity management policy. The policy primarily aims at continuously matching the next few years of benefit payments with asset cash flows and holding a cash buffer to cover unexpected short-term outflows.

Governance of investment risk management
The Trustee Board has ultimate responsibility for investment risk management. The key parameters that determine the amount of investment risk that may be taken within the Scheme, including their distribution across asset classes, are set in the Statement of Investment Principles. The Trustee Board has delegated to the Investment Committee the management of investment risk within the parameters set in the Statement of Investment Principles. The Investment Committee may delegate some of its duties to the Asset and Liability Management Committee. The Executive Office, working with the Scheme's advisers and investment managers, is responsible for the ongoing monitoring of investment risk, for making recommendations to the Trustee Board, Investment Committee or the Asset and Liability Management Committee as appropriate, and for implementing the decisions.

The Trustee has appointed investment managers to manage the investments of the Scheme under agreed mandates. These mandates set out target asset allocations, benchmarks and risk tolerances, which are consistent with the risk limits set by the Trustee. The Trustee Board, Investment Committee and the Asset and Liability Management Committee receive regular reports on risk metrics and on their adherence to their respective limits.

Approach to risk measurement

The Trustee believes that investment risks are multi-faceted and that both quantitative and qualitative inputs are useful in the evaluation of such risks. It relies on analysis generated by its advisers, investment advisers and the Executive Office, using a combination of tools licensed from third parties or developed internally. The Trustee monitors investment risk by assessing the likelihood of potential future events and the scale of their potential impact on the Scheme's assets and funding level. It is typically achieved by measuring the funding level's sensitivity to potential market shocks and scenario analysis of funding level projections.

Credit risk

The Scheme is subject to credit risk because the Scheme directly invests in bonds, enters into derivatives, has cash balances and enters into repurchase agreements. The Scheme also invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the instruments it holds in pooled investment vehicles. The Scheme is indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles.

Credit risk arising on bonds held directly is mitigated by investing in government bonds (62% of the Scheme's assets held directly and a further 8% through repurchase agreements) where the credit risk is minimal, or bonds which are rated investment grade by at least one rating agency (24% of the Scheme's assets). The allocation to bonds that are not rated or are rated sub-investment grade (2% of the Scheme's assets) and may be subject to higher credit risk is subject to limits in the investment managers' agreements. Credit risk in those mandates is mitigated by ongoing active management by the investment managers to avoid losses arising from downgrades and defaults. The allocations represent the position at year-end.

The Scheme is exposed to the risk of failure of its counterparties to derivatives and gilt repurchase agreements. The risk is mitigated by permitting the investment managers to transact with a broad set of counterparties and setting concentration limits within the investment managers' agreements. Collateral arrangements are also used to mitigate credit risk.

Direct credit risk arises in relation to pooled investment vehicles (PIV) held directly by the Scheme. Direct credit risk is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the relevant manager, the regulatory environments in which the PIV managers operate, and diversification of investments among a number of pooled arrangements. In respect of its investments in unit-linked insurance contracts on a pooled basis, the Trustee has selected Legal and General Assurance (Pensions Management) Limited (PMC), which is authorised by the Prudential Regulation Authority, regulated by the Financial Conduct Authority and the Prudential Regulatory Authority and maintains capital (in excess of its liabilities) for its policy holders. Direct credit risk in relation to Legal and General Investment Management Limited (LGIM), PMC's investment manager, is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the rest of the Legal & General Group and the regulatory environment in which PMC and LGIM operate. A summary of PIV by type of arrangement is as follows:

	2016 £m	2015 £m
Unit-linked insurance contracts	**121**	128
Open-ended investment companies (OEIC)	**447**	447
Investment company with variable capital (SICAV)	**220**	223
Total	**788**	798

Indirect credit risk arises in relation to underlying investments held in the pooled investment vehicles, which will include bonds, cash and derivatives. Credit arising from bonds is concentrated in the broad bonds and loans mandates and is mitigated by limits in the guidelines, in order to maintain a degree of diversification, and ongoing active management by the asset managers to avoid losses arising from downgrades and defaults. The risk arising from the derivatives is mitigated by counterparty risk diversification constraints and collateralisation for most of the pooled vehicles used.

Currency risk

The Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets, either as segregated investments or via pooled investment vehicles. The Trustee seeks to minimise currency risk within the IG bonds mandates by setting a net overseas currency exposure of 10% or less for each mandate, taking into account currency hedging instruments. At the year-end, the exposure to overseas assets, net of any currency hedging, was less than 1% of the Scheme's total assets.

The Trustee also holds GBP-hedged share classes of the pooled funds it has invested into. A currency risk may remain within the pooled funds as a part of the investment strategy pursued by the managers of those pooled funds. It is mitigated by limits set in the guidelines of the pooled funds.

Interest rate and inflation risk

The Scheme's assets are subject to interest rate and inflation risk because some of the Scheme's investments are held in cash, bonds and interest rate and inflation swaps (either as segregated investments or through pooled vehicles). The Scheme's actuarial liabilities are also sensitive to gilt yields and inflation. The Trustee seeks to contain the sensitivity of the Scheme's funding level to changes in gilt yields and inflation. This is achieved by setting targets for the ratio of the assets' sensitivity to gilt yields and inflation over the actuarial liabilities' sensitivity to gilt yields and inflation, the Interest Rate Coverage Ratio and Inflation Coverage Ratio respectively. The coverage ratios are translated into the guidelines of the managers of the LMF and the IG Bonds' mandate, to which they have to adhere within a degree of tolerance. The coverage ratios are regularly monitored and their target reviewed to take account of the Scheme's funding level and market conditions. At year-end, the target coverage ratios had been set at levels above 85%, which were achieved. Having a coverage ratio of less than 100% means that, if gilt yields fall or inflation rises, assuming other market variables are unchanged, the Scheme's funding level would deteriorate as the increase in value of the LMF and IG Bonds' mandates combined would not be sufficient to offset the increase in actuarial liabilities. Conversely, the Scheme's funding level would benefit from gilt yields rising or inflation expectations falling.

Other price risk

Other price risk arises principally in relation to the Scheme's Investment Portfolio, which includes primarily equities held in pooled vehicles and hedge funds. The allocation to funds subject to other price risk was 8% at the year-end. The Scheme manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

Notes to the financial statements continued

15 Fair value determination

The fair value of financial instruments has been estimated using the following fair value hierarchy:

Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly. Level 2 assets consist mainly of:

- sovereign, corporate and asset-backed debt instruments
- managed funds investing in securities
- derivatives, and
- repurchase agreement liabilities.

Debt instruments are valued using prices provided by price aggregation services which source prices from authorised brokers and dealers. These debt instruments are readily realisable in liquid markets.

Holdings of managed funds are normally valued based on unit prices based on current net asset values of the underlying assets. Derivative assets and liabilities are valued using discounted cash flow and options pricing models. These models use as their basis independently sourced market parameters including, for example, interest rate yield curves, inflation rates, option volatilities and currency rates.

The valuation of repurchase agreement liabilities reflects amounts borrowed from counterparties.

Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

Level 3 assets are loan funds and hedge funds with notice periods. Holdings of managed funds are normally valued based on unit prices based on current net asset values of the underlying assets.

The Scheme's investment assets and liabilities have been fair valued using the above hierarchy categories as follows:

	At 31 March 2016			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Fixed interest securities	-	4,687.5	-	4,687.5
Pooled investment vehicles	-	642.4	145.2	787.6
Derivative contracts	0.4	(243.6)	-	(243.2)
Repurchase agreement liabilities	-	(398.5)	-	(398.5)
Cash instruments	14.3	-	-	14.3
AVCs investments	-	1.0	6.1	7.1
DC investments	-	3.7	-	3.7
Other financial assets and liabilities	35.6	-	-	35.6
Cash deposits	7.3	-	-	7.3
	57.6	4,692.5	151.3	4,901.4

	At 31 March 2015			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Fixed interest securities	-	4,812.8	-	4,812.8
Pooled investment vehicles	-	656.6	141.8	798.4
Derivative contracts	0.4	(156.2)	-	(155.8)
Repurchase agreement liabilities	-	(395.2)	-	(395.2)
Cash instruments	23.9	-	-	23.9
AVCs investments	-	1.2	6.6	7.8
DC investments	-	3.9	-	3.9
Other financial assets and liabilities	34.5	-	-	34.5
Cash deposits	14.2	-	-	14.2
	73.0	4,923.13	148.4	5,144.5

Notes to the financial statements continued

15 Contributions due

	2016 £m	2015 £m
Contributions due from employer	-	0.3

The contributions due in 2015 were paid to the Scheme during 2016, in accordance with the Schedule of Contributions.

16 Employer-related investments

At the year-end, less than 0.1% (2015: 0.1%) of assets were invested in employer-related investments within the meaning of Section 40(2) of the Pensions Act 1995.

17 Related party transactions

Five Trustee Directors receive a pension from the Scheme and three others are deferred pensioners. Seven Directors receive remuneration from the Scheme, shown in note 6. All Directors are reimbursed for out-of-pocket expenses related to their duties.

We calculate all benefits in accordance with the Scheme Rules.

There were a number of transactions agreed between the Sponsor and the Trustee during the year which were as follows:

- The Trustee charges Invensys Limited for the administration costs associated with the Defined Contribution section of the Scheme. This amounted to £8k during the year (2015: £8k), which had been fully paid.
- Invensys Limited agreed to pay the Trustee a proportion of the costs associated with the Pension Increase Exchange project. This amounted to £602k (2015: £150k), of which £141k was outstanding at the year end.
- Invensys Limited leases office space to the Trustee for the Executive Office. The cost of the office space was £23k (2015: £14k) and the full amount was outstanding at the year end.

18 Valuation of annuity policies

FRS102 requires annuity policies to be included at fair value. However, disclosure at fair value is not required where the total value of annuities is not material to the accounts. The Trustee has reviewed its records and concluded the value of annuity policies held at the year end to be approximately £10m. The value is not material and the Trustee has therefore continued its previous policy of reporting annuity policies at nil value. To the extent that annuities are paid via the Scheme they are included within benefits payable and investment income.

Summary of contributions

Invensys Pension Scheme

Summary of contributions payable during the year ended 31 March 2016

During the year ended 31 March 2016, the contributions payable to the Scheme under the Schedule of Contributions were as follows:

	£k
Levy reimbursement	82
Total contributions under Schedule of Contributions	82
Augmentations*	1,238
Total contributions per note 3 of the financial statements	1,320

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

K A O'Donovan
Chairman

12 July 2016

Actuary's certificate of Schedule of Contributions

Name of scheme: Invensys Pension Scheme

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this Schedule of Contributions are such that the statutory funding objective could have been expected on 31 March 2015 to continue to be met for the period for which the schedule is to be in force.

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 7 March 2016.

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 Ltd
Tempus Court
Onslow Street
Guildford
Surrey GU1 4SS

29 January 2016

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 2016, which is set out on page 40.

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 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 18 , 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.

Basis of statement about contributions

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

Statement about contributions

In our opinion, contributions for the Scheme year ended 31 March 2016, as reported in the summary of contributions set out on page 40, have, in all material respects, been paid at least in accordance with the Schedules of Contributions certified by the Scheme Actuary on 10 April 2014 and 29 January 2016.

Ernst + Young LLP

Ernst & Young LLP
Statutory Auditor
London

15 July 2016

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

PS Administration Limited
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 2016	Issue of Scheme Report and Accounts
September 2016	Issue of Summer 2016 IPSNews
February 2017	Issue of Winter 2016/2017 IPSNews
31 March 2017	End of Scheme financial year
August 2017	Issue of Scheme Report and Accounts
September 2017	Issue of Summer 2017 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 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

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 Limited as Founder of the Scheme and the payment of additional contributions as determined by the Trustee on the advice of the actuary.

Bulk PIE An offer made to pensioners to exchange some of their increasing pensions for a non-increasing pension.

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.

Covenant The promise by the Company that it will provide the funding for the Trustee to pay the benefits.

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 his/her 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.

Equities Stocks or any other security representing an ownership interest.

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

Futures Contract is a legal agreement to buy or sell a particular commodity or financial asset at a predetermined price at a specified time in the future.

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 and from which is derived a projection of how long a pension will be paid.

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 that, under certain circumstances, would transfer to the Scheme.

Schedule of Contributions A formal agreement between the Company and the Trustee, 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.

Sponsor The company that establishes and/or manages a pension for participating employees. Invensys Limited is the Sponsor of the Invensys Pension Scheme.

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

Glossary continued

Swaps Contractual agreements between two parties to exchange streams of payments over time, based on specified notional amounts. Interest rate swaps relate to contracts that a scheme takes out 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 tenure.

Technical Provisions A prudent estimate, made on actuarial principles, of the future liabilities to meet the benefit payments to members in accordance with the scheme rules. These include pensions in payment (including those payable to survivors of former members) and benefits accrued by other members that 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.

Notes

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Revisit

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

Invensys Pensions

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