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NEWS RELEASE
15 May 2008

PRELIMINARY ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2008[1]

Financial position transformed:

- ***Disposals for good value, the PPP settlement and strong operating performance result in significant net profit of £336 million and net cash today of around £200 million***
- ***Redemption of High Yield Bonds and recent repayment of Term Loans result in the Group being effectively debt free***
- ***Reshaping of portfolio and strong operating performance led to operating margin[5] of 12.0% and underlying earnings per share[2] growth of 35% to 17.0p***
- ***Financial strength and strong presence in infrastructure/long cycle markets provide sound platform for growth***

Continuing operations[4]

- Orders were £2,036 million (2007: £2,101 million), down 2% at constant exchange rates (CER). An improvement at Process Systems was offset by a decline at Rail Group, reflecting its uneven order intake, and the anticipated reduction at Controls.
- Revenue was up 6% at CER at £2,108 million (2007: £1,999 million) with good performances at Process Systems, up 9%, and Rail Group, up 20%, partly offset by the anticipated reduction at Controls.
- Operating profit[5] was up 19% at CER at £254 million (2007: £216 million) with strong performances at Process Systems, Rail Group and Controls.
- Operating margin increased to 12.0% (2007: 10.8%) with each of our three major business groups reporting double digit margins.
- Underlying earnings per share were up 35% to 17.0p (2007: 12.6p) and basic earnings per share were up 257% to 21.1p (2007: 8.2p).
- Operating cash flow was in line with last year at £234 million (2007: £237 million) with operating cash conversion of 92% (2007: 110%); excluding restructuring spend, operating cash conversion was 102% (2007: 116%).
- Return on operating capital[6] was 53% (2007: 42%).

Financial

- Net cash at 31 March 2008 was £73 million (31 March 2007: £166 million net debt) and this excludes the £95 million receipt in respect of the PPP settlement received on 2 April 2008.
- Redemption of the remaining £343 million of High Yield Bonds on 17 March 2008 and the repayment of the £155 million Term Loans on 7 May 2008.
- Today the Group has cash of around £200 million and is effectively debt free.

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Ulf Henriksson, Chief Executive of Invensys plc, commented:

"I am pleased to report that, during the past year, we have continued to transform the financial position of Invensys through a combination of further improved operating performances across the businesses, the disposals of non-core activities for good value and the successful negotiation of the PPP settlement.

"Today we have around £200 million of cash and, following the redemption of the remaining High Yield Bonds and the recent repayment of the Term Loans, we are effectively debt free. We are looking to further modify our financing facilities in due course to ensure that we have arrangements in place that support the implementation of our business strategy.

"We are also making good progress on our journey to become an unquestioned leader in our markets by unlocking the potential of both ourselves and our customers. We are building a strong foundation for growth with high performing processes, human and execution capabilities and a cohesive business for our customers, employees and shareholders in an ever-changing environment. Our clear objective is to become a technology and controls company providing intelligent solutions to customers on a global basis across a broad range of industries.

"In our long cycle and infrastructure businesses within Process Systems and Rail Group, we have achieved a good improvement in revenue and operating profit, and we are increasing our energy to capture more of the growth in their markets. I expect order intake in these businesses to improve during the new financial year based upon the actions we are taking and the size and quality of their order pipelines. At Controls, I am pleased that we have improved its profit and cash performance.

"Overall we expect the Group to make further progress in the new financial year. The global energy and infrastructure markets for Process Systems and Rail Group remain strong and we expect them to continue to grow. At Controls, we expect at least to maintain its operating profit and cash flow performance despite continued softness in some of its markets."

Notes

1. The financial information for the year ended 31 March 2008 (audited) and the quarter ended 31 March 2008 (unaudited) has been prepared under the Group's accounting policies for the year ended 31 March 2008. The Group's accounting policies for the year ended 31 March 2008 are set out in the Annual report and accounts.

2. Underlying earnings per share is calculated on profit from continuing operations before exceptional finance costs, foreign exchange gains and losses and the exceptional credit from the PPP settlement.

3. Total Group comprises continuing and discontinued operations.

4. Continuing operations are Process Systems, Eurotherm, Rail Group and Controls. Discontinued operations comprise APV, Reversing Valves, Safety and Burco businesses in both years and Invensys Building Systems in the US and Asia Pacific in 2007.

5. All references to operating profit (OPBIT) and operating margin in this announcement are before exceptional items.

6. Return on operating capital is calculated as OPBIT divided by capital employed excluding goodwill, net pensions deficit, non-operating provisions and net tax liabilities.

Conference call

Ulf Henriksson, CEO, and Steve Hare, CFO, will be hosting a presentation and conference call for analysts and fund managers at 9.00 a.m. BST this morning:

Venue: Financial Dynamics
Holborn Gate,
26 Southampton Buildings,
London, WC2A 1PB

Dial-in details (please note that the passcode is required).

UK:	0800 028 1243
US:	1 888 935 4574
Passcode:	2926947

The presentation will be audio webcast live with slides, which can be accessed at:

http://phx.corporate-ir.net/phoenix.zhtml?p=irol-eventDetails&c=79275&eventID=1834820

A recording will be available at this address shortly after the completion of the call.

This announcement and the presentation materials are also available at http://www.invensys.com

Safe harbor

This announcement contains certain statements that are forward-looking. These statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Forward-looking statements are not guarantees of future performance. The Group's actual results of operations, financial condition and liquidity, and the development of the industries in which the Group operates, may differ materially from those made in or suggested by these statements and a number of factors could cause the results and developments to differ materially from those expressed or implied by these forward-looking statements.

Key performance indicators

For the year ended 31 March *All data relates to continuing operations (other than free cash flow)*	**2008**	**2007**	**% Change at CER[1]**	**% Total change**
Orders (£m)	2,036	2,101	(2)%	(3)%
Revenue (£m)	2,108	1,999	6%	5%
Operating profit (£m)	254	216	19%	18%
Operating margin (%)	12.0%	10.8%		
Operating cash flow (£m)	234	237	(1)%	(1)%
Cash conversion (%)	92%	110%		
Net finance cost cover[2] (times)	5.6x	3.3x		
Earnings per share – underlying (p)	17.0p	12.6p		35%
Free cash flow (£m)	64	111		(42)%
Return on operating capital (%)	53%	42%		

[1] % change is measured as the change at CER as a percentage of the 2007 adjusted base and is calculated based on underlying amounts in £'000s.

[2] Net finance cost cover is measured as the number of times operating profit covers net finance costs.

The Board

Martin Jay has informed the other members of the Board that he is intending to retire as Chairman and a director of the company at the 2009 Annual General Meeting. By then, he will have been Chairman for six years and believes that it will be an appropriate time to hand over to a successor. He has made his intentions clear now so that the Board can put in place a thorough and orderly process to appoint a new Chairman and ensure that a smooth transfer of responsibilities can take place.

Future reporting

The redemption of the remaining High Yield Bonds on 17 March 2008 has removed the requirement to announce detailed quarterly results. The Group will continue to publish half year and full year results announcements and instead of first and third quarter results announcements, the Board has decided to publish Interim Management Statements. These statements will update shareholders on any significant changes to the operational performance or financial position of Invensys and the first such statement will be issued prior to the opening of business on Friday, 18 July 2008, the day of our 2008 Annual General Meeting.

Dividend

The Group is taking the necessary actions to enable the Board, at the end of 2008/09 and in suitable circumstances, to recommend the payment of a dividend. For the year ended 31 March 2008, the Board is not recommending the payment of a dividend (2007: nil).

Outlook

Overall we expect the Group to make further progress in the new financial year. The global energy and infrastructure markets for Process Systems and Rail Group remain strong and we expect them to continue to grow. At Controls, we expect at least to maintain its operating profit and cash flow performance despite continued softness in some of its markets.

BUSINESS REVIEW

Process Systems

For the year ended 31 March	2008	2007	% Change at CER	% Total change
Orders (£m)	870	845	5%	3%
Revenue (£m)	830	779	9%	7%
Operating profit (£m)	117	104	16%	13%
Operating margin (%)	14.1%	13.4%		
Operating cash flow (£m)	100	94	11%	6%

For the quarter ended 31 March	2008	2007	% Change at CER	% Total change
Orders (£m)	236	217	6%	9%
Revenue (£m)	237	216	7%	10%
Operating profit (£m)	40	33	20%	21%
Operating margin (%)	16.9%	15.3%		
Operating cash flow (£m)	52	55	(4)%	(5)%

Process Systems designs, manufactures, installs, tests and commissions software and computer-based hardware for the automation and regulation of plant operations, the management of certain administrative functions of manufacturing business and simulations of manufacturing process operations. It delivers solutions and consultancy services that improve the productivity and safety of customers' plants.

Markets

Our major end markets within the oil and gas, petrochemical, refining and power sectors remain strong on a global basis with little evidence that the turmoil in the financial markets is affecting expenditure in these sectors.

The upstream and downstream oil and gas and petrochemical markets are being supported by high crude oil and natural gas prices with expenditure on new greenfield sites, particularly in the Middle East and Asia, and investments to improve productivity at brownfield sites in North America and Europe. The increasing demand for energy is also having the similar effect of boosting demand in the utilities and power generation markets across the globe. Although key markets remain robust, in common with the industry as a whole there have been some delays in the formal award of certain contracts due to civil engineering capacity constraints and political debates in some jurisdictions between governments and oil companies over the share of costs and revenue.

Developments

We have continued to invest in strengthening Process Systems' ability to sell high value solutions to our customers. We have recruited additional expertise in our sales and marketing team to drive the solutions offering and to ensure that Invensys is considered an integral partner of our customers. As part of this, we have been investing in strengthening our sales and marketing, engineering and research and development teams which contributed to an 8% headcount increase during the past twelve months and we are seeing evidence of the benefits of this in the increased order pipeline.

InFusion™, the world's first enterprise control system, has gained further momentum during the year particularly with some of our larger customers; order intake is currently running at an annualised rate of around £100 million. We recently implemented a comprehensive InFusion system installation at ExxonMobil's Port Allen Lubricants plant in Louisiana and have received an InFusion system order for

BP's Bulwer Island refinery in Queensland, Australia. In Thailand, we have been awarded a major contract to provide an InFusion system to a new 300,000 tonnes per annum low-density polyethylene plant for the PTT Polyethylene Company Limited.

In the oil and gas sector, we have been awarded a contract by PEMEX to automate eight offshore platforms in the Ku-Maloob-Zaap oilfield using I/A Series® process controls systems and Foundation Fieldbus technology. In the UK, we will be using the same technology to upgrade the Petroplus Coryton refinery.

In the power sector, we won a contract from the Saudi Electricity Company to provide plant performance, monitoring and safety solutions to one of the country's most critical power stations. The PP8 plant, which is based in Central Province, is one of two power stations that supply the capital city Riyadh with its electricity needs; the plant is currently rated at 1850 MW, which will rise to 2330 MW after this expansion. Our drive to expand our related consulting services also saw success including a contract to deliver cyber security protection services to Husky Energy's Upgrader plant in Saskatchewan, Canada.

During the year, Wonderware achieved the significant milestone of having more than 500,000 software licenses being actively deployed by its customers around the globe. Software licenses have been sold to more than 100,000 plants/facilities worldwide, which account for around one third of the world's 300,000 plants with 20 or more employees.

The £12 million acquisition of Cimnet, Inc., a Manufacturing Execution System (MES) software company, was completed on 1 July 2007 and is now fully integrated into our Wonderware business. Cimnet's MES technology is being combined with our open industry standard based ArchestrA® technology to ensure rapid deployment and ease of use by the large installed base.

Performance

Order intake in the year increased by 5% at CER to £870 million (2007: £845 million) with particularly strong improvements in North America and Asia Pacific. Revenue in the year was up 9% at CER at £830 million (2007: £779 million) with growth in all regions, especially in North America and Asia Pacific.

Operating profit was up 16% at CER at £117 million (2007: £104 million) despite the significantly increased investment in sales and marketing and research and development. Operating margin rose to 14.1% (2007: 13.4%) helped by productivity improvements.

Operating cash flow was £100 million (2007: £94 million) resulting in cash conversion for the year of 85% (2007: 90%).

In the quarter, orders were up 6% at CER to £236 million (Q4 2007: £217 million) with strong growth across most markets. Revenue increased by 7% at CER to £237 million (Q4 2007: £216 million). Operating profit rose 20% at CER to £40 million (Q4 2007: £33 million), while the operating margin rose to 16.9% (Q4 2007: 15.3%). Operating cash flow was slightly lower at £52 million (Q4 2007: £55 million).

Outlook

The outlook for Process Systems' global markets remains strong, particularly in oil and gas, petrochemicals and power. As the process industries become more competitive and cost conscious, automation is an area of investment to provide greater productivity and profitability. We are confident that we can increase the level of growth given the significant increase in the pipeline of order prospects.

Eurotherm

For the year ended 31 March	2008	2007	% Change at CER	% Total change
Orders (£m)	119	111	7%	7%
Revenue (£m)	115	109	5%	6%
Operating profit (£m)	9	13	(27)%	(31)%
Operating margin (%)	7.8%	11.9%		
Operating cash flow (£m)	6	12	(59)%	(50)%

For the quarter ended 31 March	2008	2007	% Change at CER	% Total change
Orders (£m)	32	28	7%	14%
Revenue (£m)	32	29	4%	10%
Operating profit (£m)	3	5	(41)%	(40)%
Operating margin (%)	9.4%	17.2%		
Operating cash flow (£m)	3	3	(48)%	-

Eurotherm provides control, data and measurement instrumentation products, solutions and services to manage specific parameters of the manufacturing process, such as temperature and pressure, for the global industrial control and process markets. Eurotherm has global expertise in many industrial markets with dedicated specialists in some key areas including life sciences, glass manufacturing, metals and plastics and the heat treatment of metals (for industries such as aerospace and automotive).

Markets

Our traditional markets in Western Europe and North America are being affected by the migration of industrial manufacturing capacity to lower cost countries. In contrast the emerging markets, in particular in Asia Pacific, continue to grow strongly and we are experiencing increased demand for the application of our extensive industry knowledge within our key vertical markets of life sciences, heat treatment and glass. The demand for solutions rather than just products is also driving growth in the business.

Developments

The migration of manufacturing from Western Europe both into the supply chain and to new facilities in Poland and China is now substantially completed. We are also continuing to execute our strategy to capture the growth in the key vertical markets of life sciences, glass and heat treatment, and in the Eastern European and Asia Pacific regions.

Performance

Orders for the year rose 7% at CER to £119 million (2007: £111 million) with good increases in our three key vertical markets which saw order growth of 24%, while the greatest geographic impact was seen in Asia Pacific and EMEA.

Revenue was £115 million (2007: £109 million), 5% higher at CER, principally mirroring the growth seen in orders.

Operating profit was down 27% at CER to £9 million (2007: £13 million) due mainly to some duplicated costs during the manufacturing reorganisation and changes in sales mix. Operating margin was 7.8% (2007: 11.9%). Operating cash flow was £6 million (2007: £12 million), due mainly to the lower operating profit and a working capital outflow.

Orders for the quarter were £32 million (Q4 2007: £28 million), an increase of 7% at CER and revenue was £32 million (Q4 2007: £29 million) an increase of 4% at CER. Operating profit fell to £3 million (Q4 2007: £5 million), a decrease of 41% at CER and operating margin was 9.4% (Q4 2007: 17.2%). Operating cash flow was £3 million in the quarter (Q4 2007: £3 million).

Outlook
Eurotherm's end markets remain good and the focus on key verticals and emerging markets is expected to contribute to future growth.

Rail Group

For the year ended 31 March	**2008**	**2007**	**% Change at CER**	**% Total change**
Orders (£m)	429	479	(11)%	(10)%
Revenue (£m)	539	449	20%	20%
Operating profit (£m)	93	77	19%	21%
Operating margin (%)	17.3%	17.1%		
Operating cash flow (£m)	93	133	(31)%	(30)%

For the quarter ended 31March	**2008**	**2007**	**% Change at CER**	**% Total change**
Orders (£m)	76	127	(42)%	(40)%
Revenue (£m)	145	120	17%	21%
Operating profit (£m)	25	22	12%	14%
Operating margin (%)	17.2%	18.3%		
Operating cash flow (£m)	17	21	(21)%	(19)%

Note: Comparatives restated following reclassification of Burco to discontinued operations

Rail Group is a multinational leader in delivering state-of-the-art railway control and communication solutions. We enable the world's railways to help meet the ever-increasing demand for rail services by providing a range of solutions that safely and cost effectively increase the capacity of their networks by increasing frequency and maximising operational effectiveness.

Our broad offering ranges from highly complex integrated control centre solutions that supervise and control complete railways to sophisticated train based systems that automate train operation and protection, interlocking systems that ensure safe running across a network and a complete range of trackside products.

Markets
The global rail infrastructure market continues to grow through a combination of upgrading and expansion of mainline rail networks being driven by the increased demand for the cost effective and low carbon emission characteristics of rail transportation. Additional demand arises from the need to create mass transit systems to deal with increased urbanisation, particularly in the developing world. The difficulties in the financial markets do not appear to have had any significant impact upon the financing of projects since most are funded directly or indirectly by national and local governments rather than by commercial organisations.

The Rail Group's core markets of the UK, Iberia and Australia remained robust throughout the year with high levels of demand in both mainline and mass transit infrastructure projects. Despite the increased level of federal funding contained in the Transportation Bill, our other core market of North America was flat as spending by the railroad companies focussed upon capacity expansion rather than on our main offering, rail crossings; however there are early signs that activity levels are increasing in the new financial year.

Outside our core markets, there are a significant number of major projects which are likely to be commenced during the next five years and we are focussing in particular upon Latin America, North Africa, India and the rest of Asia. The opportunities are large but the exact timing of the award of orders is difficult to predict.

Developments

In the UK, we continue to be awarded significant orders from Network Rail under the Category A framework agreements and since the year end one of our framework agreements has been expanded to include the signalling for the significant improvements planned for the Thameslink network through London.

On 31 March 2008, we reached a series of agreements as part of the arrangements being put in place following Metronet entering into administration last year. London Underground Limited (LUL) has decided to rescope the new signalling work for the Sub Surface Lines (SSL) and this resulted in a cash payment from Bombardier to Invensys of £95 million on 2 April 2008 and a reduction in the Westinghouse Rail Systems Limited order book of £545 million in respect of work that would have been carried out mainly in the period 2010 to 2014. This development has provided us with a significant opportunity to win the rescoped contract when it is retendered in accordance with public procurement rules. We have the certified engineering capacity and the capabilities to meet LUL's vision for the London Underground. Our other signalling work on the SSL and the Victoria Line, representing around £180 million of future revenue, is unaffected by this change.

Our significant investment in technology produced several developments during the year. Our new Westlock™ computerised interlocking, which is based upon Process Systems' Triconex™ safety system, was approved by Network Rail for use on the UK mainline. One of our new mass transit train control systems, Distance to Go – Radio, was successfully trialled during engineering hours in February 2008 on the Victoria Line of the London Underground and is due to be trialled during passenger hours shortly.

We also continue to actively address a very significant pipeline of major prospects in export markets totalling in excess of £1 billion for orders expected to be placed during the next five years.

On 31 March 2008, we sold our North American rail logistics business Burco to a US company, Railroad Controls Limited, for £15 million. Burco was not core to our signalling and related systems operations. In the year ended 31 March 2008, Burco reported revenue of £64 million and operating profit of £2 million and has been treated as a discontinued operation in the Group's results.

Performance

Order intake during the year was down 11% at CER to £429 million (2007: £479 million) as the prior year included some large contracts in Spain. Revenue was 20% higher at CER at £539 million (2007: £449 million) with strong growth in all core markets except the US. The book-to-bill ratio is being adversely affected since significant revenue arose from the PPP contracts for the London Underground in respect of orders booked in 2003/04.

Operating profit rose to £93 million (2007: £77 million), an increase of 19% at CER reflecting the substantial increase in volume partially offset by increased spending on business development, particularly sales and marketing and research and development. Operating margin was 17.3% (2007: 17.1%), higher than previous guidance reflecting the one percentage point increase following the transfer of Burco to discontinued operations. Operating cash flow was £93 million (2007: £133 million), continuing to give good cash conversion of 100%.

In the fourth quarter, orders declined 42% at CER to £76 million (Q4 2007: £127 million) reflecting the uneven nature of the awards of large contracts. Revenue rose 17% at CER to £145 million (Q4 2007: £120 million), primarily due to increased activity in the UK. Operating profit for the quarter rose by 12% at CER to £25 million (Q4 2007: £22 million) and operating margin was 17.2% (Q4 2007: 18.3%). Operating cash flow in the quarter was £17 million (Q4 2007: £21 million).

Outlook

The markets in the UK, Iberia and Australia are expected to remain robust and there are early signs of a pick up in rail crossing orders in the US. We are confident that, over the next two years, our strong order book and the level of demand for rail projects across the world will enable Rail Group to achieve double digit revenue growth and an improved sales mix will result in improved operating margins during this period.

In the longer term, the strength of Rail Group's technology, its leading positions in its core markets and the significant prospects in export markets provide a sound base for continued delivery of its excellent financial performance.

Controls

For the year ended 31 March	**2008**	**2007**	**% Change at CER**	**% Total change**
Orders (£m)	618	666	(7)%	(7)%
Revenue (£m)	624	662	(5)%	(6)%
Operating profit (£m)	69	59	17%	17%
Operating margin (%)	11.1%	8.9%		
Operating cash flow (£m)	68	45	49%	51%

For the quarter ended 31 March	**2008**	**2007**	**% Change at CER**	**% Total change**
Orders (£m)	165	173	(8)%	(5)%
Revenue (£m)	158	168	(10)%	(6)%
Operating profit (£m)	21	21	1%	-
Operating margin (%)	13.3%	12.5%		
Operating cash flow (£m)	25	26	(11)%	(4)%

Note: Comparatives restated following reclassification of Safety and Reversing Valves to discontinued operations

Controls provides engineered components, systems and services used in appliances, heating, air conditioning/cooling, refrigeration and thermostatic products across a wide range of industries in residential and commercial markets, together with utility monitoring services in the UK.

Markets

Conditions within Controls' markets worldwide have remained uncertain during the year. Around 60% of Controls' revenue comes from supplying highly engineered components and assemblies to the mid to higher end of the global appliance market. Although the North American appliance market gradually weakened during the year with shipments, measured by the US Association of Home Appliance Manufacturers, down 5.7% in the year to 31 March 2008; much of this reduction was due to the decline in demand in the US new residential construction market, which typically is supplied with lower end products. Controls' other major appliance market in Europe was softened slightly during the year.

Developments

During 2006/07, we had organised Controls' operations along end markets and supply chain, which has enabled us to measure the performance of each operation and allowed increased focus upon performance improvement. We have continued to concentrate upon maintaining the absolute level of operating profit and improving the cash performance of the business. We are achieving this through pricing for value, supply chain savings, restructuring, productivity gains and the disposal of underperforming operations.

On restructuring, we have continued with projects only where we see a compelling financial return. During the year, we ceased manufacturing at two European facilities and have also closed the Long Beach plant in California, consolidating all North American gas valve production into our Mexicali plant in Mexico. We also announced a reduction in workforce at a plant in Belluno, Italy due to declining demand for electromechanical timers. This increase in restructuring above previous expectations has been offset by a reduced requirement for capital expenditure so that the combined spend on restructuring and capital expenditure was less than the previous year.

In order to eliminate non-core activities and reduce Controls' exposure to the US new residential construction market, we sold our Reversing Valve business to Sanhua Holdings and sold the Safety business to the UTC Fire & Security Division of United Technologies Corporation (UTC) for a total cash consideration of £29 million. The disposal of the Safety business has reduced Controls' revenue exposure to the US new residential construction market from around 10% to 5%, and to 2% for the Group's continuing operations.

Performance

Orders during the year were £618 million (2007: £666 million), down 7% at CER and revenue for the year was £624 million (2007: £662 million), a 5% decrease at CER. The reductions in orders and revenue were mainly due to some softening of demand in the US and Europe and the termination earlier in the year of a major customer contract in the water heating business following price increases previously implemented in order to ensure an economic return in that business.

We were able to achieve our objective of protecting the profit and cash performance of the business. We have done this through pricing actions, plant productivity improvements and restructuring benefits. Operating profit was up 17% at £69 million (2007: £59 million) and operating margin improved to 11.1% (2007: 8.9%).

Operating cash performance gradually improved during the year, resulting in an inflow for the year of £68 million (2007: £45 million) with cash conversion of 99%; excluding payments in respect of restructuring, cash conversion was 123%.

In the quarter, orders were down 8% at CER to £165 million (Q4 2007: £173 million), due mainly to weakness in the North American appliance market and the reduced levels of activity in the water heating business, and revenue was 10% lower at CER at £158 million (Q4 2007: £168 million). Operating profit was £21 million (Q4 2007: £21 million), an increase of 1% at CER, and operating margin improved to 13.3% (Q4 2007: 12.5%). Operating cash flow was £25 million (Q4 2007: £26 million).

Outlook

We continue to see softer market conditions in some of Controls' markets, particularly in North America. We have built a stronger foundation for Controls and will continue to invest in capital expenditure and restructuring to maintain at least its profitability and cash performance.

ADDITIONAL FINANCIAL INFORMATION

Orders

Orders for continuing operations were £2,036 million, a decrease of 2% at CER (2007: £2,101 million). This reflects the uneven nature of order intake at Rail Group and the anticipated reduction at Controls. A summary of orders and movements at CER by business group is set out below:

For the year ended 31 March	2007 Orders £m	Exchange £m	2007 at CER £m	Change at CER £m	2008 Orders £m	Change[1] %
Process Systems	845	(19)	826	44	870	5%
Eurotherm	111	-	111	8	119	7%
Rail Group	479	5	484	(55)	429	(11)%
Controls	666	(2)	664	(46)	618	(7)%
Continuing operations	**2,101**	**(16)**	**2,085**	**(49)**	**2,036**	**(2)%**

[1] % change is measured as the change at CER as a percentage of the 2007 adjusted base and is calculated based on underlying amounts in £'000s.

The order book for continuing operations was £1,294 million at 31 March 2008 (2007: £1,859 million). This decrease in order book was due to the cancellation of £545 million of orders at Rail Group following the PPP settlement.

Revenue

Revenue for the year was £2,108 million, an increase of 6% at CER (2007: £1,999 million) representing good growth within the North America and Asia Pacific regions in Process Systems and Rail Group's strong performance in the majority of its core markets. A summary of revenue and movements at CER by business group is set out below:

For the year ended 31 March	2007 Revenue £m	Exchange £m	2007 at CER £m	Change at CER £m	2008 Revenue £m	Change[1] %
Process Systems	779	(17)	762	68	830	9%
Eurotherm	109	1	110	5	115	5%
Rail Group	449	2	451	88	539	20%
Controls	662	(3)	659	(35)	624	(5)%
Continuing operations	**1,999**	**(17)**	**1,982**	**126**	**2,108**	**6%**

[1] % change is measured as the change at CER as a percentage of the 2007 adjusted base and is calculated based on underlying amounts in £'000s.

Operating profit and margin

Operating profit before exceptional items was £254 million (2007: £216 million), representing an increase of 19% at CER. Operating margin increased to 12.0% (2007: 10.8%) due to higher volume and improved productivity. A summary of operating profit and movements at CER by business group is set out below:

For the year ended 31 March	2007 OPBIT £m	Exchange £m	2007 at CER £m	Change at CER £m	2008 OPBIT £m	Change[1] %
Process Systems	104	(3)	101	16	117	16%
Eurotherm	13	-	13	(4)	9	(27)%
Rail Group	77	1	78	15	93	19%
Controls	59	-	59	10	69	17%
Corporate	(37)	-	(37)	3	(34)	9%
Continuing operations	**216**	**(2)**	**214**	**40**	**254**	**19%**

1 % change is measured as the change at CER as a percentage of the 2007 adjusted base and is calculated based on underlying amounts in £'000s.

Operating cash flow and cash conversion

Operating cash flow was broadly flat at CER to £234 million (2007: £237 million), with cash conversion of 92% (2007: 110%). Cash conversion excluding restructuring was 102% for the year (2007: 116%). A summary of operating cash flow and cash conversion by business group is set out below:

	Operating cash flow		Cash conversion	
For the year ended 31 March	2008 £m	2007 £m	2008 %	2007 %
Process Systems	100	94	85%	90%
Eurotherm	6	12	67%	92%
Rail Group	93	133	100%	173%
Controls	68	45	99%	76%
Corporate	(33)	(47)	-	-
Continuing operations	**234**	**237**	**92%**	**111%**

Exceptional items

Income from exceptional items for the year totalled £62 million (2007: £27 million charge). Key elements of this were a credit of £95 million from the PPP settlement partially offset by restructuring costs of £27 million (2007: £13 million). The restructuring costs relate to major projects at Controls locations in Europe and North America, along with costs associated with a transfer of finance transactional processing activities to a co-sourcing partner.

Foreign exchange losses

Foreign exchange losses of £21 million (2007: £35 million gain) are principally attributable to exchange differences on the Group's non-sterling denominated currency borrowings held in companies whose functional currency is sterling. Of the exchange losses, £19 million arose on net external euro borrowings, following its significant strengthening.

Exceptional finance costs

Exceptional finance costs were £36 million (2007: £67 million) of which £18 million was the redemption premium on the remaining High Yield Bonds. In addition, there was an £18 million write-off of facility fees in relation to the High Yield Bonds and existing financing facilities.

Net finance costs and cover

Net finance costs reduced to £45 million in the year (2007: £66 million) reflecting the significant reduction in gross debt in the year. Net finance cost cover improved from 3.3 times to 5.6 times.

Taxation

The tax charge for continuing operations was £30 million (2007: £20 million) which comprises a current year income tax charge of £38 million (2007: £28 million), offset by prior year credits of £3 million (2007: £2 million charge) which result from favourable resolution of historic tax disputes and deferred tax credits of £5 million (2007: £10 million).

Profit from discontinued operations

During the year the APV, Safety, Reversing Valves and Burco businesses were disposed raising a gross cash consideration of £294 million. Profit from discontinued operations was £167 million, including a gain on disposal of £170 million.

Net profit for the year

Net profit increased to £336 million (2007: £209 million), reflecting the increase in operating profit, the exceptional credit from the PPP settlement and a reduction in total finance costs, partly offset by foreign exchange losses.

Earnings per share

Basic earnings per share from continuing operations were 21.1p (2007: 8.2p). Underlying earnings per share from continuing operations were 17.0p (2007: 12.6p) arising from improved operating profit and lower finance costs.

Free cash flow

Free cash flow for the year was £64 million (2007: £111 million), with the reduction being driven by an operating cash outflow in discontinued operations, and an £18 million accelerated pension funding payment following the APV disposal partially offset by lower finance costs.

Financial position at year end

Capital structure

The Group's capital structure is as follows:

As at 31 March	**2008 £m**	**2007 £m**
Capital employed	373	26
Cash and cash equivalents	235	307
Borrowings	(162)	(473)
Net cash/(debt)	73	(166)
Total equity – funds/(deficit)	**446**	**(140)**
Comprising:		
– Equity holders of parent	377	(200)
– Minority interests	69	60
	446	**(140)**

Total equity

At the end of the year the Company had issued share capital of 797 million ordinary shares of 10p. Total equity improved from a negative to a positive position due to the improved performance of the Group and a reduction in the reported pension deficit. However, the parent company continues to have negative distributable reserves, an issue which we intend to resolve in the coming year.

Minority interests

The minority interest balance is £69 million (2007: £60 million), the majority of which relates to the interests of the minority in Baan Company NV.

Net cash

Net cash was £73 million (2007: £166 million net debt). The improvement of £239 million was largely due to the receipt of the gross disposal proceeds of £294 million combined with free cash flow of £64 million.

This improved cash position enabled us to reduce our level of gross debt with the redemption of the High Yield Bonds in March 2008.

Since the year end our cash position has improved further with £95 million received as a result of the PPP settlement. With this additional cash, we have repaid our £155 million Term Loans and are now effectively debt free, with around £200 million of cash.

Capital employed

Capital employed increased to £373 million in the year, attributable to a reduction in the pension liability of £304 million and an increase in working capital of £76 million. The operating element of our capital employed has generated improved returns with the return on operating capital improving to 53% (2007: 42%).

Pension liabilities

Actuarial assessments of pension assets and liabilities have been updated as at 31 March 2008, resulting in an overall pension liability at the year end of £218 million (2007: £522 million). The decrease is attributable to an actuarial gain of £218 million (2007: £56 million loss), contributions related to business disposal proceeds of £55 million and £18 million of accelerated funding deficit payments for the UK Main scheme.

The triennial valuation of the UK Main scheme is currently underway and is expected to be finalised in the second half of the year to 31 March 2009.

Invensys plc
Preliminary announcement 2007/08
Consolidated income statement

Audited Year ended 31 March 2008 £m	Audited Year ended 31 March 2007 £m		Notes	Unaudited Quarter ended 31 March 2008 £m	Unaudited Quarter ended 31 March 2007 £m
		Continuing operations			
2,108	1,999	Revenue	1	572	533
(1,854)	(1,783)	Operating expenses before exceptional items		(492)	(462)
254	216	**Operating profit before exceptional items**	1	80	71
62	(27)	Exceptional items	3	85	(13)
316	189	**Operating profit**	2	165	58
(21)	35	Foreign exchange (losses)/gains	4	(8)	(4)
(36)	(67)	Exceptional finance costs		(36)	–
(63)	(82)	Finance costs		(18)	(14)
(99)	(149)	Total finance costs		(54)	(14)
18	16	Finance income		8	3
(15)	(10)	Other finance charges - IAS 19		(3)	(2)
199	81	**Profit before taxation**		108	41
(1)	–	Taxation - UK		(3)	–
(29)	(20)	Taxation - overseas		(10)	(6)
169	61	**Profit after taxation - continuing operations**		95	35
167	148	**Profit after taxation - discontinued operations**	5	1	1
336	209	**Profit for the year**		96	36
		Attributable to:			
334	207	Equity holders of the parent		96	35
2	2	Minority interests		–	1
336	209			96	36
		Earnings per share			
		Continuing operations			
21.1 p	8.2 p	Earnings per share (basic)	6	11.9 p	4.4 p
20.9 p	8.1 p	Earnings per share (diluted)	6	11.8 p	4.3 p
17.0 p	12.6 p	Earnings per share before exceptional finance costs, foreign exchange gains and losses, and PPP settlement credit (basic)	6	6.2 p	4.9 p
		Discontinued operations			
20.9 p	20.0 p	Earnings per share (basic)	6	0.2 p	- p
20.6 p	19.7 p	Earnings per share (diluted)	6	0.1 p	- p

Invensys plc
Preliminary announcement 2007/08
Consolidated balance sheet

	Notes	**Audited** At 31 March 2008 £m	**Audited** At 31 March 2007 £m
ASSETS			
Non-current assets			
Property, plant and equipment		282	314
Intangible assets - goodwill		215	206
Intangible assets - other		92	90
Deferred income tax assets		21	17
Amounts due from contract customers		6	8
Other receivables		15	39
Other financial assets		7	7
Pension asset		1	3
		639	684
Current assets			
Inventories		144	229
Amounts due from contract customers		152	196
Trade and other receivables		648	565
Cash and cash equivalents		235	307
Income tax receivable		2	2
Derivative financial instruments		1	2
		1,182	1,301
Assets held for sale	7	2	3
TOTAL ASSETS		1,823	1,988
LIABILITIES			
Non-current liabilities			
Borrowings		(161)	(472)
Provisions		(103)	(93)
Income tax payable		(24)	(22)
Deferred income tax liabilities		(15)	(16)
Amounts due to contract customers		(10)	(37)
Other payables		(17)	(16)
Pension liabilities		(219)	(525)
		(549)	(1,181)
Current liabilities			
Trade and other payables		(480)	(615)
Amounts due to contract customers		(240)	(223)
Borrowings		(1)	(1)
Derivative financial instruments		(1)	(1)
Income tax payable		(47)	(34)
Provisions		(59)	(73)
		(828)	(947)
TOTAL LIABILITIES		(1,377)	(2,128)
NET ASSETS/(LIABILITIES)		446	(140)
Capital and reserves			
Equity share capital		80	80
Treasury shares		(7)	–
Other reserves		4,189	4,158
Retained earnings		(3,885)	(4,438)
Equity holders of the parent		377	(200)
Minority interests		69	60
TOTAL EQUITY	8	446	(140)

Invensys plc
Preliminary announcement 2007/08
Consolidated cash flow statement

Audited Year ended 31 March 2008 £m	Audited Year ended 31 March 2007 £m		Notes	Unaudited Quarter ended 31 March 2008 £m	Unaudited Quarter ended 31 March 2007 £m
		Operating activities			
		Operating profit:			
316	189	Continuing operations	2	165	58
7	22	Discontinued operations	5	–	2
47	52	Depreciation of property, plant and equipment		11	13
19	14	Amortisation of intangible assets - other		5	4
5	2	Provision for impairment charged to operating profit		2	2
–	(5)	Gain on sale of assets and operations		–	(1)
(95)	–	PPP settlement credit to operating profit		(95)	–
1	4	Sale of property, plant and equipment		–	–
–	6	Sale of subsidiaries - continuing operations		–	–
–	3	Sale of associates		–	3
8	10	Non-cash charge for share-based payment		2	3
7	(35)	Decrease/(increase) in inventories		14	(4)
(35)	(34)	(Increase)/decrease in receivables		4	23
12	56	Increase/(decrease) in net amounts due to contract customers		(18)	(8)
(29)	40	(Decrease)/increase in payables and provisions		13	54
(102)	(10)	Difference between pension contributions paid and amounts recognised in operating profit		(22)	(17)
161	314	**Cash generated from operations**		81	132
(37)	(23)	Income taxes paid		(8)	(5)
(55)	(92)	Interest paid		(26)	(22)
(18)	(38)	Exceptional finance costs		(18)	–
51	161	**Net cash flows from operating activities**		29	105
		Investing activities			
16	18	Interest received		7	4
(37)	(49)	Purchase of property, plant and equipment		(11)	(14)
(21)	(26)	Expenditure on intangible assets - other		(6)	(12)
–	(1)	Purchase of minority interests		–	–
(12)	–	Purchase of subsidiaries		–	–
–	10	Sale of financial assets		–	7
295	146	Sale of subsidiaries		10	–
(19)	(2)	Net cash disposed of on sale of subsidiaries		–	–
222	96	**Cash flows from investing activities**		–	(15)
		Financing activities			
–	342	Issue of ordinary share capital		–	–
–	(19)	Share issue expenses		–	–
(9)	–	Purchase of Invensys plc shares by Employee Share Trust		–	–
(4)	–	Purchase of shares on vested share awards		–	–
–	(19)	Facility fees		–	–
–	155	Increase in long-term borrowings		–	–
–	(11)	Repayment of short-term borrowings		–	–
(363)	(820)	Repayment of long-term borrowings		(359)	–
–	(2)	Capital element of finance lease repayments		–	(1)
(1)	(3)	Dividends paid to minority interests		–	(1)
(377)	(377)	**Cash flows from financing activities**		(359)	(2)
(104)	(120)	**Net (decrease)/increase in cash and cash equivalents**		(330)	88
307	450	Cash and cash equivalents at beginning of period		546	222
32	(23)	Net foreign exchange difference		19	(3)
235	307	**Cash and cash equivalents at end of period**		235	307

Invensys plc
Preliminary announcement 2007/08
Consolidated statement of recognised income and expense

Audited Year ended 31 March 2008 £m	Audited Year ended 31 March 2007 £m		Unaudited Quarter ended 31 March 2008 £m	Unaudited Quarter ended 31 March 2007 £m
		Income and expense recognised directly in equity		
		Gains on valuation of available-for-sale investments:		
-	(2)	Transferred to income statement for the period	-	(1)
		Gains on cash flow hedges:		
1	1	Gains taken to equity	-	-
(2)	(4)	Transferred to the income statement for the period	(1)	(1)
41	(23)	Exchange differences on translation of foreign operations	18	4
(1)	(1)	Foreign exchange gain transferred on disposal of operations	-	-
218	(56)	Actuarial gain/(loss) recognised on defined benefit pension schemes	1	40
257	(85)	**Net income/(expense) recognised directly in equity**	18	42
336	209	Profit for the year	96	36
593	124	**Total recognised income for the period**	114	78
		Attributable to:		
582	126	Equity holders of the parent	109	77
11	(2)	Minority interests	5	1
593	124		114	78

1 Segmental analysis

Audited Year ended 31 March 2008 £m Revenue £m	Audited Year ended 31 March 2007 £m Revenue £m	Audited Year ended 31 March 2008 £m Operating profit/(loss) * £m	Audited Year ended 31 March 2007 £m Operating profit/(loss) * £m		Unaudited Quarter ended 31 March 2008 £m Revenue £m	Unaudited Quarter ended 31 March 2007 £m Revenue £m	Unaudited Quarter ended 31 March 2008 £m Operating profit/(loss) * £m	Unaudited Quarter ended 31 March 2007 £m Operating profit/(loss) * £m
				Business				
830	779	117	104	Process Systems	237	216	40	33
115	109	9	13	Eurotherm	32	29	3	5
539	449	93	77	Rail Group	145	120	25	22
624	662	69	59	Controls	158	168	21	21
–	–	(34)	(37)	Corporate	–	–	(9)	(10)
2,108	1,999	254	216	Continuing operations	572	533	80	71
				Geographical analysis by origin				
402	340	57	55	United Kingdom	113	89	14	17
568	534	75	57	Rest of Europe	154	145	26	18
704	741	109	97	North America	189	197	35	34
103	96	13	12	South America	27	25	3	4
283	239	33	27	Asia Pacific	72	64	10	6
48	49	1	5	Africa and Middle East	17	13	1	2
–	–	(34)	(37)	Corporate	–	–	(9)	(10)
2,108	1,999	254	216	Continuing operations	572	533	80	71
				Geographical analysis of revenue by destination				
365	314			United Kingdom	103	82		
590	548			Rest of Europe	159	144		
644	685			North America	173	181		
111	102			South America	29	26		
305	253			Asia Pacific	99	67		
93	97			Africa and Middle East	9	33		
2,108	1,999			Continuing operations	572	533		
				Geographical analysis of discontinued operations by origin				
9	25	(5)	(12)	United Kingdom	–	10	–	(4)
152	197	5	11	Rest of Europe	–	60	–	5
143	216	8	25	North America	18	52	–	5
11	12	1	(1)	South America	–	3	–	–
71	105	2	3	Asia Pacific	2	26	–	1
23	32	3	3	Africa and Middle East	–	10	–	1
409	587	14	29	Discontinued operations	20	161	–	8

* Before exceptional items

2 Operating profit

Audited Year ended 31 March 2008 £m	Audited Year ended 31 March 2007 £m		Unaudited Quarter ended 31 March 2008 £m	Unaudited Quarter ended 31 March 2007 £m
2,108	1,999	Revenue	572	533
(1,480)	(1,402)	Cost of sales	(396)	(374)
628	597	Gross profit	176	159
(13)	(10)	Distribution costs	(3)	(2)
(361)	(371)	Administrative costs	(93)	(86)
254	216	Operating profit before exceptional items	80	71
62	(27)	Exceptional items *(note 3)*	85	(13)
316	189	Operating profit	165	58
		Segmental analysis of operating profit:		
		Business		
113	104	Process Systems	39	34
8	13	Eurotherm	2	5
187	77	Rail Group	119	22
49	53	Controls	18	11
(41)	(58)	Corporate	(13)	(14)
316	189	Operating profit	165	58

3 Exceptional items

Audited Year ended 31 March 2008 £m	Audited Year ended 31 March 2007 £m		Unaudited Quarter ended 31 March 2008 £m	Unaudited Quarter ended 31 March 2007 £m
(27)	(13)	Restructuring costs	(8)	(9)
(4)	(2)	Impairment: property, plant and equipment	(1)	(2)
(1)	–	Impairment: intangible assets - other	(1)	–
(1)	2	(Loss)/gain on sale of assets and operations	–	–
–	(14)	Other exceptional items*	–	(2)
95	–	PPP settlement credit**	95	–
62	(27)	Exceptional items	85	(13)
		Restructuring costs by business:		
(4)	(1)	Process Systems	(1)	–
(16)	(11)	Controls	(3)	(8)
(7)	(1)	Corporate	(4)	(1)
(27)	(13)		(8)	(9)

*Other exceptional items for the prior year comprised a £20 million charge for the augmentation of members' benefits in the Invensys Australian Superannuation Fund offset by a £5 million credit from the release of product recall provisions within the Controls business and £1 million of other pension credits within Process Systems.

**The PPP settlement credit relates to an agreement on 31 March 2008 with Bombardier in respect of the rescoping of work on the London Underground with £95 million compensation being agreed and a reduction of £545 million in the Rail Group order book. The cash settlement was received on 2 April 2008.

4 Foreign exchange (losses)/gains

Foreign exchange losses in the year of £21 million (2007: £35 million gains) and in the quarter of £8 million (Q4 2007: £4 million) relate to exchange differences arising on the translation of unhedged foreign currency monetary items used in the financing of the Group and its subsidiaries. These are principally attributable to exchange differences on the Group's non-sterling denominated currency borrowings held in companies whose functional currency is sterling. Of the loss, £19 million arose on net external euro borrowings in the year and £6 million in the quarter.

These foreign currency borrowings are held as an economic hedge by reference to the Group's underlying cash generation by currency. However, they are not accounted for as net investment hedges under IAS 39 and consequently exchange differences arising on these borrowings are recorded in the income statement.

5 Profit from discontinued operations

Discontinued operations comprise APV, Safety, Reversing Valves and Burco businesses in 2007/08, the disposals of which were completed during the year. In addition, the prior periods include Invensys Building Systems in the US and Asia Pacific.

Audited Year ended 31 March 2008 £m	Audited Year ended 31 March 2007 £m		Unaudited Quarter ended 31 March 2008 £m	Unaudited Quarter ended 31 March 2007 £m
		Profit from discontinued operations comprises the following:		
409	587	Revenue	20	161
(395)	(558)	Operating expenses before exceptional items	(20)	(153)
14	29	Operating profit before exceptional items	–	8
(7)	(7)	Exceptional items*	–	(6)
7	22	Operating profit	–	2
177	126	Profit on assets divested	3	–
(8)	(7)	Charge of associated goodwill	(1)	–
1	1	Foreign exchange gain transferred on disposal of operations	–	–
170	120	Profit on sale of business	2	–
177	142	Profit before taxation - discontinued operations	2	2
(3)	(3)	Taxation on discontinued operations	–	(1)
(9)	–	Taxation on gain on sale of operations	–	–
2	9	Adjustment in respect of prior years	(1)	–
167	148	Profit after taxation - discontinued operations	1	1
		Net cash flows incurred by discontinued operations		
(13)	36	Operating activities	1	26
279	145	Investing activities	9	–
266	181		10	26

* Exceptional items comprise restructuring costs of £7 million in the year (FY 2007: £10 million) and £nil for the quarter (Q4 2007: £7 million). The prior year also includes a £3 million gain on the sale of assets and £1 million gain in the quarter.

6 Earnings per share

Audited Year ended 31 March 2008	Audited Year ended 31 March 2007		Unaudited Quarter ended 31 March 2008	Unaudited Quarter ended 31 March 2007
		Earnings per share (pence)		
		Continuing operations		
21.1 p	8.2 p	Basic	11.9 p	4.4 p
20.9 p	8.1 p	Diluted	11.8 p	4.3 p
17.0 p	12.6 p	Before exceptional finance costs, foreign exchange gains and losses and PPP settlement credit (basic)	6.2 p	4.9 p
		Discontinued operations		
20.9 p	20.0 p	Basic	0.2 p	- p
20.6 p	19.7 p	Diluted	0.1 p	- p
		Total Group		
42.0 p	28.2 p	Basic	12.1 p	4.4 p
41.5 p	27.8 p	Diluted	11.9 p	4.3 p
		Weighted average number of shares (million)		
795	733	Basic	795	796
10	12	Effect of dilution – share options	10	14
805	745	Diluted	805	810
		Earnings (£m)		
		Continuing operations		
168	60	Basic	95	35
		Before exceptional finance costs, foreign exchange gains and losses and PPP settlement credit		
316	189	Operating profit	165	58
(95)	–	PPP settlement credit	(95)	–
(63)	(82)	Finance costs	(18)	(14)
18	16	Finance income	8	3
(15)	(10)	Other finance charges - IAS 19	(3)	(2)
161	113	Operating profit less net finance costs	57	45
(25)	(20)	Taxation on operating profit less net finance costs	(8)	(6)
(1)	(1)	Minority interests	–	–
135	92		49	39
		Discontinued operations		
166	147	Basic	1	–
		Total Group		
334	207	Basic	96	35

The basic earnings per share for the year and the quarter has been calculated using 795 million shares (2007: 733 million, Q4 2007: 796 million), being the weighted average number of shares in issue during the year and on the quarter, excluding those held as Treasury shares which are treated as cancelled, and the profit after taxation and minority interests for continuing operations, discontinued operations and total Group as shown above.

An additional earnings per share calculation has been included since the directors consider that this gives a useful additional indication of underlying performance. This is based on earnings before exceptional finance costs, foreign exchange gains and losses and PPP settlement credit with an underlying tax charge of £25 million for the year and £8 million for the quarter (2007: £20 million, Q4 2007: £6 million).

The diluted earnings per share has been calculated in accordance with IAS 33 *Earnings per Share* without reference to adjustments in respect of certain share options which are considered to be anti-dilutive.

7 Assets held for sale

Assets held for sale consist of the Group's surplus freehold property portfolio.

8 Reconciliation of movements in equity

Audited Year ended 31 March 2008 £m	Audited Year ended 31 March 2007 £m		Unaudited Quarter ended 31 March 2008 £m	Unaudited Quarter ended 31 March 2007 £m
(140)	(593)	**Opening equity**	330	(219)
593	124	Total recognised income for the period	114	78
(5)	10	Share-based payment	2	3
(1)	(1)	Disposal of minority interests	-	(1)
(1)	(3)	Dividends paid to minority interests	-	(1)
-	342	Issue of share capital	-	-
-	(19)	Share issue expenses	-	-
446	(140)	**At end of period**	446	(140)
		Attributable to:		
377	(200)	Equity holders of the parent	377	(200)
69	60	Minority interests	69	60
446	(140)		446	(140)

9 Reconciliation of cash flows

Audited Year ended 31 March 2008 £m	Audited Year ended 31 March 2007 £m		Unaudited Quarter ended 31 March 2008 £m	Unaudited Quarter ended 31 March 2007 £m
51	161	Net cash flows from operating activities	29	105
(58)	(75)	Capital expenditure included within investing activities	(17)	(26)
55	92	Interest paid	26	22
18	38	Exceptional finance costs	18	–
55	18	Pension contributions on disposal of operations	13	–
–	(6)	Disposal of continuing operations	–	–
–	(3)	Sale of associate	–	(3)
33	20	Taxation paid (operating)	7	2
		Legacy items:		
47	11	Pension contributions	9	19
4	3	Taxation paid (legacy)	1	3
11	10	Other legacy payments	3	–
62	24		13	22
216	269	**Operating cash flow**	89	122
(39)	(74)	Net finance costs	(19)	(18)
(18)	(38)	Exceptional finance costs	(18)	–
–	(15)	Facility fees capitalised within prepayments	–	–
–	10	Proceeds on sale of financial assets	–	7
–	3	Proceeds on sale of associates	–	3
(33)	(20)	Taxation paid (operating)	(7)	(2)
(62)	(24)	Legacy items	(13)	(22)
64	111	**Free cash flow**	32	90
		Operating cash flow attributable to:		
234	237	Continuing operations	88	95
(18)	32	Discontinued operations	1	27
216	269		89	122

The directors consider that the best measure of the Group's cash performance is free cash flow, as calculated above.

10 Basis of preparation

The Group prepares its annual financial statements on the basis of International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and in accordance with the provisions of the Companies Act 1985. The financial information presented in this preliminary announcement has been prepared in accordance with the accounting policies used in preparing the annual financial statements for the year ended 31 March 2008, which do not differ significantly from those used for the most recent annual financial statements.

11 Financial information

This preliminary announcement ('statement') was approved by a duly appointed and authorised committee of the Board of directors on 14 May 2008. This statement does not comprise the statutory accounts of the Group, as defined in section 240 of the Companies Act 1985. The financial information for the quarter ended 31 March 2008 is unaudited. The financial information for the full year to 31 March 2008 has been extracted from statutory accounts on which an unqualified audit report has been issued. Those accounts are yet to be delivered to the Registrar of Companies.

The statutory accounts of Invensys plc for the year ended 31 March 2007 have been delivered to the Registrar of Companies. The auditors, Ernst & Young LLP, reported on those accounts in accordance with section 235 of the Companies Act 1985 and their report was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

12 Events after the balance sheet date

On 7 May 2008, the Group repaid and cancelled term loans due in January 2011 of US$ 190 million and Euro 75 million. The repayment of the principal amounts, together with accrued interest, was made out of cash balances. On 8 May 2008 the Group cancelled bonding facilities of £100 million due for expiry in December 2010. There were no early redemption penalties to be made on either of these transactions.

13 Exchange rates

	Quarter ended 31 March 2008 Average	Quarter ended 31 March 2007 Average	Year ended 31 March 2008 Average	Year ended 31 March 2007 Average
US$ to £1	1.96	1.95	2.01	1.89
Euro to £1	1.33	1.47	1.42	1.47

	As at 31 March 2008 Closing	As at 31 March 2007 Closing
US$ to £1	1.99	1.97
Euro to £1	1.26	1.47