invensys

News release

14 May 2009

INVENSYS PLC
PRELIMINARY ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2009[1]

Orders and cash flow performance demonstrate strength in current economic climate
Recommended resumption of dividend payments

Highlights

- Orders rose by 38% (21% at CER[2]) to £2,806 million (2008: £2,036 million) driven by strong performances by Process Systems (up 19% at CER) and Invensys Rail (up 109% at CER)
- Revenue rose by 8% (down 4% at CER) to £2,284 million (2008: £2,108 million)
- Operating profit[3] down 4% (down 16% at CER) to £244 million (2008: £254 million) with an excellent performance from Invensys Rail, robust results from Process Systems offsetting a sharp second half decline in Invensys Controls
- Underlying earnings per share[4] reduced to 14.1p (2008: 17.0p) due mainly to higher restructuring costs
- Basic earnings per share were 17.4p (2008: 21.1p)
- Free cash flow was £296 million (2008: £64 million), with operating cash flow of £298 million (2008: £258 million) and operating cash conversion of 122% (2008: 102%)
- Recommended final dividend of 1.5p per share (2008: nil)
- Continued strengthening of financial position with no debt[5], net cash and deposits totalling £309 million, together with a £400 million banking facility
- Triennial review of UK Pension Scheme completed with no material change to the level of annual payments
- Integration of Invensys Process Systems, Wonderware and Eurotherm to create a new division, Invensys Operations Management

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Ulf Henriksson, Chief Executive of Invensys plc, commented:

"I am pleased to be able to report that we achieved a robust performance during the past year against the background of one of the most difficult global economies in decades. We had strong order intake, which is testimony to our customers' belief in our ability to deliver projects and solutions. We had strong cash flow across the Group which has further strengthened our financial position; we are debt free with £309 million of net cash and deposits on the balance sheet.

"We have managed our pension assets and liabilities to reduce volatility and have agreed the future funding schedule with the Trustee of the UK Pension Scheme with no change to our annual payments. We have undertaken restructuring where there has been a need to realign capacity and improve productivity. This overall performance has given the Board confidence to recommend the resumption of dividend payments to shareholders.

"Relative to the market, there is strength in demand for our projects and solutions within our newly formed Invensys Operations Management division and Invensys Rail has been successful in both its core and export markets. This gives us confidence that both will continue to perform well during the current financial year. Invensys Controls faces continued weakness in its markets and we continue to manage it for positive cash flow.

"Our strong financial position is enabling us to take further actions in the current year to protect profitability and cash flow across the Group and, based upon our current expectations, we anticipate that restructuring charges in the current year will be around £65 million.

"Overall we look to the future with confidence and expect to improve our performance in the current year."

Notes

1. The financial information for the year ended 31 March 2009 is audited and has been prepared under the Group's accounting policies for the year ended 31 March 2009. The Group's accounting policies for the year ended 31 March 2009 are set out in the Annual Report and Accounts.

2. Unless otherwise stated, % change is measured at constant exchange rates (CER) as a percentage of the 2008 adjusted base and is calculated based upon underlying amounts in £'000s.

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

4. Underlying earnings per share is calculated on profit from continuing operations before exceptional finance costs and income, and foreign exchange losses on financial items. The prior year earnings per share also exclude the exceptional credit from the PPP settlement.

5. 144A notes of £9 million due January 2010 remain outstanding; the Company has no right to call these notes prior to maturity but the notes have been covenant defeased through cash collateralisation. In addition, there were £1 million of finance leases at 31 March 2009.

Conference call

Ulf Henriksson, Chief Executive, and Steve Hare, Chief Financial Officer, will be hosting a presentation and conference call for analysts and fund managers at 9.00am BST this morning:

Venue: J.P.Morgan Cazenove
20 Moorgate
London
EC2R 6DA

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

UK:	+44 (0) 20 3003 2666
US:	+ 1 866 966 5335
Passcode:	Invensys

The presentation will be audio webcast live with slides, which can be accessed at:
http://www.invensys.com/webcast/

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.

Business Review

Key Performance Indicators

For the year ended 31 March All data relates to continuing operations (other than free cash flow)	**2009**	**2008**	**% change at CER[1]**	**% total change**
Orders (£m)	2,806	2,036	21%	38%
Revenue (£m)	2,284	2,108	(4%)	8%
Operating profit[2] (£m)	244	254	(16%)	(4%)
Operating margin[2] (%)	10.7%	12.0%		
Operating cash flow (£m)	298	258	2%	16%
Cash conversion (%)	122%	102%		
Earnings per share – underlying[3] (p)	14.1	17.0		(17%)
Earnings per share – basic (p)	17.4	21.1		(18%)
Free cash flow (£m)	296	64		363%
Return on operating capital[4] (%)	49.0%	53.3%		

1 *% change is measured as the change at CER as a percentage of the 2008 adjusted base and is calculated based on underlying amounts in £'000s.*
2 *All references to operating profit and operating margin are arrived at before exceptional items, unless otherwise stated.*
3 *Calculated by reference to earnings before exceptional finance costs and income, and foreign exchange losses on financial items. Prior year earnings per share also exclude the PPP settlement credit.*
4 *Return on operating capital at constant exchange rates is calculated as OPBIT divided by capital employed excluding goodwill, net pension liabilities, non-operating provisions and net taxation liabilities.*

Creation of Invensys Operations Management

The decision has been taken to integrate our three industrial automation businesses (Invensys Process Systems, Wonderware and Eurotherm) into a single division, Invensys Operations Management. This decision has been driven by the convergence in technologies that enable our customers to optimise their entire operations, the opportunity to create a continuum of solutions and services for the whole industrial market and the potential for cost savings from common sales and marketing, delivery and back office functions.

We have identified significant growth opportunities from more effective coverage of our customer base and attractive savings from using common approaches to business processes. Some integration activities began earlier in the year as a result of common research and development requirements between the businesses and the opportunity to eliminate redundant infrastructure costs. Throughout the remainder of the current year, additional integration will be carried out; however, we do not intend to make substantial changes to the business strategy, products, services and levels of support for our customers. We see this integration as a natural evolutionary step, building upon the successes that we have already achieved with our strategy of becoming a solutions and services provider. We will be reporting Invensys Operations Management as a single division going forward.

We have also carried out a review of our branding to ensure that our visual identity and brand structure reflect an open approach and provide differentiation from our competitors. This review has resulted in the new logo and visual identity which you see within this document and which more readily reflect our status as a technology company, following the reclassification by FTSE in June 2008. This new identity will be implemented across the Group during the year within Invensys Operations Management and our other divisions.

UK Pension Scheme

Under the requirements of the Pensions Act 2004, the Scheme actuary conducted a triennial valuation of the main UK pension scheme, the Invensys Pension Scheme as at 31 March 2008. The valuation disclosed a funding shortfall of £285 million and the Company agreed a plan to fund this shortfall over a nine year period. Payments under this plan amount to £37 million in 2009/10 rising by around £1 million per annum thereafter. The level of additional annual contributions is substantially the same as that derived from the previous September 2005 valuation but the plan has been extended from 2014 to March 2017. This plan provides certainty over the funding payments for the next two and a half years. The next triennial valuation is due as at 31 March 2011.

Reflecting the mature nature of the scheme with less than 2% of members being active employees, the Scheme has adopted a liability-driven investment strategy with the investment portfolio invested predominately in bond/debt instruments, with equities only representing some 7% of assets. This relatively conservative investment strategy has enabled the scheme to mitigate the impact of the recent volatility in the financial and economic markets.

Dividend

The strength of the Group's financial position, our excellent operational cash flow and the resilience being shown by our longer-cycle businesses within Invensys Operations Management and Invensys Rail has given the Board confidence that this is the right time to pay a dividend to shareholders for the first time since 2003. However, in light of current global economic conditions, the Board has decided to start at a prudent level which should allow a progressive dividend policy going forward. The Board has therefore recommended the payment of a final cash dividend for the year of 1.5p per share which, subject to approval by shareholders at the AGM on 17 July 2009, will be paid on 7 August 2009 to shareholders on the register at 26 June 2009.

The Board

As previously announced, Martin Jay will be retiring as Chairman and a director of the Company after the Annual General Meeting (AGM) on 17 July 2009. Sir Nigel Rudd, who became a director and Deputy Chairman on 1 January 2009, will be taking over as Chairman after the AGM. Sir Nigel has a long and distinguished industrial career and is currently Chairman of BAA and Pendragon and a non-executive director of BAE Systems and Sappi.

Steve Hare, who has been our Chief Financial Officer since 2006, informed the Board in November 2008 that he will be leaving Invensys at the end of May 2009 to pursue a new challenge. As previously announced, Wayne Edmunds, who is currently Chief Financial Officer of Invensys Process Systems, will become our Chief Financial Officer from 1 June 2009. Wayne joined the Group from Reuters America, where he had been SVP of Finance and has previously held senior financial roles in the technology sector including seventeen years with Lucent Technologies. Wayne is relocating to the UK and will work out of the Group's headquarters in London. He has been working with Steve Hare during the past two months to ensure a smooth handover of responsibilities.

Jean-Claude Guez, who has been a non-executive director since 2003, will not be seeking re-election at the AGM and will be retiring from the Board at the end of that meeting. Martin Read, formerly Chief Executive of LogicaCMG, and Francesco Caio, formerly Chief Executive of Cable & Wireless, will be joining the Board as non-executive directors on 18 July 2009.

Outlook

Relative to the market, there is strength in demand for our projects and solutions within our newly formed Invensys Operations Management division, and Invensys Rail has been successful in both its core and export markets. This gives us confidence that both will continue to perform well during the current financial year. Invensys Controls faces continued weakness in its markets and we continue to manage it for positive cash flow.

Our strong financial position is enabling us to take further actions in the current year to protect profitability and cash flow across the Group and, based upon our current expectations, we anticipate that restructuring charges in the current year will be around £65 million.

Overall we look to the future with confidence and expect to improve our performance in the current year.

Invensys Operations Management

Process Systems

Year ended 31 March	2009	2008	% change at CER	% total change
Orders (£m)	1,187	870	19%	36%
Revenue (£m)	951	830	(1%)	15%
Operating profit (£m)	108	117	(20%)	(8%)
Operating margin (%)	11.4%	14.1%		
Operating cash flow (£m)	121	103	2%	17%
Operating cash conversion (%)	112%	88%		

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 businesses, and simulations of manufacturing process operations. It delivers solutions and consultancy services that improve the productivity and safety of customers' plants.

Markets

Despite the current global economic climate, many of our major end markets, particularly in the oil and gas, refining and power sectors, have showed resilience. We have seen some delays in the award of contracts for some greenfield projects, often caused by retendering by main contractors so that customers gain the benefit of reduced commodity prices. However the long-term nature of investment decisions within these sectors and the needs of customers to improve the efficiency of existing plants using our advanced applications and solutions such as SimSci-Esscor® and InFusion® have meant that the impact upon our project business has been limited. We have seen some weakness in demand and pricing pressure within the measurement and instrumentation product sector.

Regionally, there has been continued strength in the Middle East and South America, driven by demand for solutions and services from the oil and gas sector. In the North America market, we have seen increased demand for upgrades and efficiency improvements. The level of investment in new facilities in Asia Pacific was generally strong including the Chinese nuclear power generating market but there was a slowdown in demand within Europe and Africa with delays on investment decisions caused by the weakening economy.

Developments

During the year, we made significant investments in sales and marketing in order to differentiate ourselves from our competitors by strengthening our ability to sell high value solutions to our customers. Many of our solution offerings enable customers to improve the efficiency and financial performance of their operations. The benefits of this investment are reflected in the increase in order intake for the year.

With the decline in Europe, we are realigning our capacity in that market and increasing it in emerging markets. This, together with other actions, resulted in a restructuring charge in the year of £17 million, which is expected to provide a compelling financial return.

We achieved considerable success in gaining large project orders around the world as we gained benefits from the recent investment in sales and marketing.

- We signed a five year contract to provide comprehensive safety services and solutions to Petrobras, the Brazilian international energy company. We have been providing products and services to Petrobras for more than 50 years. Under the terms of this contract, we will implement our Triconex® safety and critical controls and Avantis® asset management technology to upgrade and modernize eleven Petrobras refining facilities throughout Brazil.
- We signed a contract with Qatargas, one of the world's major producers of liquefied natural gas, to complete a major automation upgrade at the Qatar Gas 1 facility in the Qatar Ras Laffan Industrial City. The upgrade will give Qatargas improved compatibility between different generations of system components at Qatar Gas 1, as well as extend the life cycle of the overall control system there.
- We are supplying simulation software and other products from our Process Engineering Suite (PES) of solutions to help design second-generation biofuels processes for Novus Energy, LLC, a Minnesota-based renewable fuels development company. PES is an integrated suite of software which readily interfaces with other applications commonly used by process engineers, thus enhancing productivity in the plant life cycle.
- We won a £127 million contract to develop and implement four large-scale, fully digitised nuclear control rooms, equipped with the latest simulation technologies, critical control and safety systems for two new nuclear power plant sites in China. In a drive to reduce carbon dioxide emissions and its reliance on coal-generated power, China has raised the target for nuclear capacity in its power mix to 5 percent by 2020.
- Also in the nuclear sector, we won a contract with the state-owned Taiwan Power Company to provide critical upgrades to the Kuosheng Nuclear Power Plant (NPP) in northern Taiwan, including the replacement and upgrade of obsolete analogue-based recirculation water control systems with digital systems. The upgrades allow Kuosheng NPP to significantly improve plant availability.

The acquisition by Wonderware of SAT Corporation, a Houston-based mobile solutions company, for a cash consideration of £30 million was completed on 21 August 2008 and has been integrated into Wonderware's product offerings on a global basis. The IntelaTrac® Enterprise Suite provides configurable hardware and software solutions that enable remote workflow, procedural and general task management within industrial plants, typically focussed around asset maintenance and compliance applications.

Performance

Order intake increased by 19% at CER to £1,187 million (2008: £870 million), including a number of longer-term solutions orders. This reflected the benefit of the increased investment of £14 million made into sales and marketing as well as our continued investment in research and development. Orders grew in all regions and in addition there was a good improvement in the size of the pipeline of order prospects.

Revenue in the period was down 1% at CER at £951 million (2008: £830 million) with reduced product revenue offset by a good performance in the Middle East.

Operating profit was down 20% at CER at £108 million (2008: £117 million) due mainly to the significantly increased investments mentioned above. Operating margin was 11.4% (2008: 14.1%) with a good improvement in the second half of the year. Operating cash flow was £121 million (2008: £103 million) resulting in a further improvement in cash conversion for the year to 112% (2008: 88%).

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Eurotherm

Year ended 31 March	2009	2008	% change at CER	% total change
Orders (£m)	116	119	(13%)	(3%)
Revenue (£m)	118	115	(10%)	3%
Operating profit (£m)	4	9	(62%)	(56%)
Operating margin (%)	3.4%	7.8%		
Operating cash flow (£m)	10	7	37%	43%
Operating cash conversion (%)	250%	78%		

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 key areas including life sciences, glass manufacturing, plastics, renewable energy and the heat treatment of metals (for industries such as avionics and automotive).

Markets
Our markets, particularly in Western Europe and North America, have been affected by the economic downturn with a significant deterioration in demand during the second half of the year. This was seen across many sectors as customers, particularly those directly exposed to the consumer, cut capital and maintenance expenditure in the face of significant volume reductions in their businesses.

Developments
During the year, we launched EPower®, a new range of multiphase power controllers which improve the efficiency of power consumption within a manufacturing plant. Initial installations are demonstrating up to 5% improvements in energy efficiency and we expect sales of this product to grow with the increased potential customer base within Invensys Operations Management. Also we are enhancing the Eurotherm distributed control system (DCS) product so that it can address the middle range market in which we currently do not have a significant presence. This development will enable Invensys Operations Management to provide customers with the entire DCS spectrum.

Performance
Orders were down 13% at CER at £116 million (2008: £119 million). Revenue was down 10% at CER at £118 million (2008: £115 million), mainly due to significantly reduced product revenue. Operating profit was down 62% at CER at £4 million (2008: £9 million) caused by the effect of reduced revenue and around £1 million of costs associated with a non-recurring contractual and operational issue in South Korea. Operating margin was 3.4% (2008: 7.8%). However operating cash flow was strong at £10 million (2008: £7 million).

Outlook for Invensys Operations Management
We believe that our strength in the oil and gas refinery and power sectors will provide resilience driven by the continued investment in capacity in developing markets and our customer focus on improving the efficiency and financial performance of their existing operations. In addition we intend to realise the revenue potential and cost savings arising from the integration of these businesses into a single division. Although the product businesses within Process Systems and Eurotherm are likely to continue to experience ongoing declines, we expect that the creation of the integrated division will provide benefits in the current year. Overall we expect to make progress in the current year.

Invensys Rail

Year ended 31 March	**2009**	**2008**	**% change at CER**	**% total change**
Orders (£m)	968	429	109%	126%
Revenue (£m)	636	539	9%	18%
Operating profit (£m)	134	93	32%	44%
Operating margin (%)	21.1%	17.3%		
Operating cash flow (£m)	128	93	26%	38%
Operating cash conversion (%)	96%	100%		

Invensys Rail 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 world's rail market remained strong during the year with spending underpinned by the need to improve mainline rail and mass transit infrastructure, recognising the importance of rail as an environmentally sustainable and economically efficient means of transport for both passengers and freight. In addition, spending shows signs of increasing in some markets such as the US and China, where government stimulus packages recognise the employment benefits of major capital projects during these recessionary times.

In our core markets, the UK continued at the high levels of activity seen in recent years and Spain also saw good levels of spending, particularly on the further development of its high-speed line network. In the US, the market was satisfactory except that demand for trackside and on-board equipment softened towards the end of the year due to reduced amounts of freight traffic caused by the recession. Australia remained good despite some deferral of expenditure on new lines for mineral freight traffic.

Outside our core markets, we are seeing significant demand in many countries, particularly in Latin America and Asia, both in terms of stimulus packages and the need to improve transport infrastructure to enable economic development.

Developments

During the year we achieved significant success in winning contracts both in our core and export markets. In the UK, we were awarded several further contracts by Network Rail including the enabling signalling works for a major reconfiguration of Reading Station. We have recently been awarded a contract by Crossrail Ltd to work with it to evaluate signalling and control solutions for the Crossrail project. Both mainline and mass transit rail systems will be considered along with other key operational needs for the future railway. In Spain, we were awarded £155 million of contracts for the signalling of the Madrid-Valencia high-speed line and received a letter of award for a £44 million contract for the Barcelona-Figueras high-speed line.

In export markets, we were awarded a £123 million contract by Singapore's Land Transit Authority for their new Downtown Line and also were awarded a similar sized contract for the refurbishment of a mass transit line in Latin America. We won contracts for installing ERTMS signalling for the Ankara-Konya high-speed line in Turkey and for suburban lines in Auckland, New Zealand.

In September 2008, we acquired Quantum Engineering, Inc. from its management for a cash consideration of £20 million. Based in Jacksonville, Florida, Quantum specialises in on-board equipment and positive train control. This acquisition will increase our profile within the US railroad marketplace while creating new sales opportunities within the operational side of its existing US railroad customers. This technology will be marketed globally through our international operations, opening up the technology to significant new markets.

Performance

Order intake during the year more than doubled compared with the prior year to £968 million (2008: £429 million), up 109% at CER with strong performance in the UK and Spain together with the two large export contracts in Singapore and Latin America. Revenue was 9% higher at CER at £636 million (2008: £539 million) with particularly strong growth in Spain.

Operating profit rose to £134 million (2008: £93 million), an increase of 32% at CER reflecting the substantial increase in volume and a favourable sales mix. Operating margin was higher at 21.1% (2008: 17.3%) due to a favourable sales mix and contract completions. Operating cash flow was £128 million (2008: £93 million), and cash conversion was 96%.

Outlook

The very high levels of orders received in the year gives us good visibility into the current year and our pipeline of export order prospects remains strong. Although we may see delays in the award of some projects and weakness in the US freight rail market, we expect that this will be more than compensated for by the number of packages around the world involving rail infrastructure that are being put in place to stimulate economic activity.

Invensys Controls

Year ended 31 March	2009	2008	% change at CER	% total change
Orders (£m)	535	618	(25%)	(13%)
Revenue (£m)	579	624	(20%)	(7%)
Operating profit (£m)	33	69	(58%)	(52%)
Operating margin (%)	5.7%	11.1%		
Operating cash flow (£m)	74	85	(21%)	(13%)
Operating cash conversion (%)	224%	123%		

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

Markets
Market conditions were very challenging across all of the division's markets with significantly reduced customer production across most sectors driven by reductions in consumer demand in most countries as a result of the current economic climate. This was compounded by inventory reductions throughout the supply chain particularly in the second half, as customers adjusted their capacity in line with the reduced demand.

Developments
Our focus during the year has been on reacting with agility to changes in our markets by rapidly adjusting our manufacturing capacity to align it with the reduced levels of customer demand. These actions have helped to minimise the effect of the decline in revenue upon operating profit and cash performance. Overheads and factory headcount have been significantly reduced as we continue the focus upon improving productivity within our plants. Headcount has been reduced by 27% to 7,517.

In addition to controlling costs, we are also reducing our manufacturing capacity in North America by the closure of two further facilities in the US and one in Mexico, consolidating manufacturing from these plants into another existing facility in Matamoros, Mexico. Total restructuring charges in the year were £23 million.

Performance
Orders during the period were £535 million (2008: £618 million), down 25% at CER. This decrease was higher than the market reduction in shipments due to the effect of the reduction in volumes at the higher end of the North American market and the loss of a major water heating contract last year. Revenue for the year was down slightly less than orders at £579 million (2008: £624 million), a 20% decrease at CER.

Despite the significant reduction in volumes, we have had success in protecting the profit and cash performance of the business through prior period pricing actions, plant productivity improvements and restructuring benefits, offset by increased warranty costs arising mainly from supplier product issues. Operating profit was down 58% at CER at £33 million (2008: £69 million).

However, operating cash flow was very strong at £74 million (2008: £85 million), with 224% cash conversion (2008: 123%). We spent £18 million during the year on restructuring, therefore making an overall cash contribution to the Group of £56 million.

Outlook
We are not currently anticipating any improvements in the division's markets and indeed we expect them to deteriorate further in the short term. However we expect that Invensys Controls will continue to be profitable and cash generative based upon the rigorous control of costs and the increasing benefits of restructuring projects as the year progresses.

Additional Financial Information

Orders
A summary of orders and movements at CER by business group is set out below:

Year ended 31 March	2008 Orders £m	Exchange movement £m	2008 at CER £m	Change at CER £m	2009 Orders £m	% change[1]
Process Systems	870	132	1,002	185	1,187	19%
Eurotherm	119	15	134	(18)	116	(13%)
Invensys Operations Management	989	147	1,136	167	1,303	15%
Invensys Rail	429	35	464	504	968	109%
Invensys Controls	618	96	714	(179)	535	(25%)
Continuing operations	2,036	278	2,314	492	2,806	21%

The order book for continuing operations was £2,083 million at 31 March 2009 (2008: £1,294 million). This increase is due to the significant orders won by Process Systems and Invensys Rail.

Revenue
A summary of revenue and movements at CER by business group is set out below:

Year ended 31 March	2008 Revenue £m	Exchange movement £m	2008 at CER £m	Change at CER £m	2009 Revenue £m	% change[1]
Process Systems	830	127	957	(6)	951	(1%)
Eurotherm	115	15	130	(12)	118	(10%)
Invensys Operations Management	945	142	1,087	(18)	1,069	(2%)
Invensys Rail	539	43	582	54	636	9%
Invensys Controls	624	96	720	(141)	579	(20%)
Continuing operations	2,108	281	2,389	(105)	2,284	(4%)

1. % change is measured as the change at CER as a percentage of the 2008 adjusted base and is calculated based on the underlying amounts in £'000s

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Operating profit and margin

A summary of operating profit and movements at CER by business group is set out below:

Year ended 31 March	2008 OPBIT £m	Exchange movement £m	2008 at CER £m	Change at CER £m	2009 OPBIT £m	% change[1]
Process Systems	117	18	135	(27)	108	(20%)
Eurotherm	9	2	11	(7)	4	(62%)
Invensys Operations Management	126	20	146	(34)	112	(23%)
Invensys Rail	93	9	102	32	134	32%
Invensys Controls	69	9	78	(45)	33	(58%)
Corporate	(34)	(1)	(35)	-	(35)	1%
Continuing operations	254	37	291	(47)	244	(16%)

1. % change is measured as the change at CER as a percentage of the 2008 adjusted base and is calculated based on the underlying amounts in £'000s

Operating cash flow and cash conversion

A summary of operating cash flow and cash conversion by business group is set out below:

Year ended 31 March	Operating cash flow		Cash conversion	
	2009 £m	2008 £m	2009 %	2008 %
Process Systems	121	103	112%	88%
Eurotherm	10	7	250%	78%
Invensys Operations Management	131	110	117%	87%
Invensys Rail	128	93	96%	100%
Invensys Controls	74	85	224%	123%
Corporate	(35)	(30)	-	-
Continuing operations	298	258	122%	102%

Exceptional items

The exceptional charge for the year totalled £66 million (2008: £62 million credit). This included restructuring costs of £48 million and £17 million of asset impairments, predominantly property, plant and equipment, and £1 million loss on asset disposals. The restructuring costs relate to major projects at Invensys Controls and Process Systems mainly in North America and Europe along with costs associated with cosourcing various back office activities.

The comparative period included a credit of £95 million from the PPP settlement partially offset by restructuring costs of £27 million.

Foreign exchange losses on financial items

Foreign exchange losses on financing items are £nil (2008: £21 million). The foreign exchange losses arising in the prior year were attributable to the Group's non-sterling denominated external borrowings which were repaid in March and May 2008.

Exceptional finance income
Exceptional finance income of £27 million (2008: £nil) represents gains from the sale of a financial investment.

Net finance costs
Net finance costs reduced to £4 million in the year (2008: £45 million) reflecting the debt free position of the Group.

Taxation
The tax charge for continuing operations was £23 million (2008: £30 million) which comprises a current year income tax charge of £39 million (2008: £38 million), offset by prior year credits of £7 million (2008: £3 million), which result from favourable resolution of historic tax disputes, and deferred tax credits of £9 million (2008: £5 million).

As the Group is involved in worldwide operations, Invensys is subject to several factors which affect the tax charge and hence the effective tax rate. The key factors are the levels and mix of profitability in different jurisdictions in which the Group may or may not have offsetting tax losses, and the differing tax rates imposed in those jurisdictions.

Discontinued operations
The loss from discontinued operations of £9 million relates to £11 million of further provisions in respect of prior year disposals, mainly Burco and APV, offset by a tax credit of £2 million. During the prior year the APV, Safety, Reversing Valves and Burco businesses were sold, raising a gross cash consideration of £295 million. Profit from discontinued operations in the prior year was £167 million, including a gain on disposal of £170 million.

Net profit
Net profit decreased to £133 million (2008: £336 million), with the prior year including profits from discontinued operations of £167 million and the exceptional £95 million credit from the PPP settlement. The current year shows lower net finance costs and higher exceptional finance income compared with costs in the prior year.

Earnings per share
Basic earnings per share from continuing operations were 17.4p (2008: 21.1p). Underlying earnings per share from continuing operations were 14.1p (2008: 17.0p) arising from lower operating profit and an increase in exceptional items, partly offset by lower finance costs.

Free cash flow
Free cash flow for the year was £296 million (2008: £64 million), driven by improved operating cash flow, lower finance costs, the receipt of the PPP settlement and proceeds from the sale of financial investments.

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Financial position at year end

Capital structure

The Group's capital structure is as follows:

As at 31 March	2009 £m	2008 £m (restated)*
Capital employed**	354	307
Cash and cash equivalents	296	235
Borrowings	(10)	(162)
Net cash	286	73
Total equity – funds	**640**	**380**
Comprising:		
– Equity holders of parent	553	311
– Minority interests	87	69
	640	**380**

* Restated for the IFRIC 14 adjustment to the pension liabilities.
**Includes cash deposits of £23 million (2008: £nil).

Total equity

Total equity increased by £260 million due to net profit in the year of £133 million, translation exchange gains of £133 million and a pension actuarial gain of £10 million, partially offset by the effect of IFRIC 14 on the pension liabilities of £20 million.

Minority interests

The minority interest balance is £87 million (2008: £69 million), the majority of which relates to the interests of the minority in Baan Company NV (in liquidation).

Net cash

Net cash was £286 million (2008: £73 million) with an additional £23 million (2008: £nil) held on deposit, resulting in a total net cash and deposits balance of £309 million. The improvement of £213 million is largely due to the free cash flow of £296 million which includes a receipt of £95 million from the PPP settlement and £32 million proceeds from the sale of financial investments. Offsetting these are payments of £50 million for the acquisitions of SAT Corporation and Quantum Engineering Inc.

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 on either of these transactions.

Capital employed

Capital employed increased by £47 million to £354 million in the year, mainly attributable to an increase in goodwill and intangibles due to acquisitions of £48 million and exchange of £107 million; these increases were offset by a reduction in receivables including the receipt of the £95 million PPP settlement. The return on operating capital has reduced to 49% (2008: 53%).

Pension liabilities

The IAS 19 valuation of pension assets and liabilities has been updated at 31 March 2009, resulting in a pension deficit of £222 million (£218 million); this includes a restriction on asset recognition in two of the smaller schemes of £1 million (2008: £1 million). In the prior year, there was also a pension asset of £1 million. The overall increase of £5 million is attributable to exchange losses of £36 million and the IAS 19 finance charge of £35 million, offset by deficit reduction payments of £28 million, contributions related to the disposal of a financial asset of £10 million, other contributions in excess of service charge of £18 million and an actuarial gain of £10 million.

IFRIC 14 (IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction) is effective for the first time and has been adopted by the Group. This has the effect of increasing the pension liability for the UK Pension Scheme by £86 million to £94 million at March 2009; the liability at 31 March 2008 has been restated in accordance with IFRC 14 by £66 million to £76 million.

After applying IFRIC 14, the overall pension liabilities at 31 March 2009 are £308 million; the overall liabilities at 31 March 2008 have been restated in accordance with IFRC 14 by £66 million to £284 million.

Under the requirements of the Pensions Act 2004, the UK Pension Scheme was subject to a triennial actuarial review with a valuation date of 31 March 2008. The valuation disclosed a funding shortfall of £285 million using assumptions agreed between the Company and the Scheme Trustee.

The updated funding valuation has made no significant change to the annual cash flows arising under the funding plan for the next three years, which amount to £37 million per annum in the next financial year rising by approximately £1 million per annum thereafter. The plan extends to March 2017.

The investment strategy determined by the Trustees continues to reflect the mature nature of the Scheme with the assets predominately invested in bond or "bond like" instruments.

Dividend

The Board is recommending a final dividend of 1.5p per share (2008: £nil). The proposed dividend is covered 9.4 times by underlying earnings.

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Invensys plc
Consolidated income statement

For the year ended 31 March 2009

	Notes	2009 £m	2008 £m
Continuing operations			
Revenue	2	2,284	2,108
Operating expenses before exceptional items		(2,040)	(1,854)
Operating profit before exceptional items	2	244	254
Exceptional items	4	(66)	62
Operating profit	3	178	316
Foreign exchange losses on financial items	5	–	(21)
Exceptional finance costs		(1)	(36)
Finance costs		(12)	(63)
Total finance costs		(13)	(99)
Exceptional finance income		27	–
Finance income		8	18
Total finance income		35	18
Other finance charges - IAS 19		(35)	(15)
Profit before taxation		165	199
Taxation - UK		6	(1)
Taxation - overseas		(29)	(29)
Profit after taxation - continuing operations	2	142	169
(Loss)/profit after taxation - discontinued operations	6	(9)	167
Profit for the year	2	133	336
Attributable to:			
Equity holders of the parent		130	334
Minority interests		3	2
		133	336
Earnings per share			
Continuing operations			
Earnings per share (basic)	7	17.4 p	21.1 p
Earnings per share (diluted)	7	17.2 p	20.9 p
Discontinued operations			
(Loss)/earnings per share (basic)	7	(1.1) p	20.9 p
(Loss)/earnings per share (diluted)	7	(1.1) p	20.6 p
Total Group			
Earnings per share (basic)	7	16.3 p	42.0 p
Earnings per share (diluted)	7	16.1 p	41.5 p

Invensys plc
Consolidated balance sheet

For the year ended 31 March 2009

	Notes	2009 £m	2008 £m (Restated[1])
ASSETS			
Non-current assets			
Property, plant and equipment		305	282
Intangible assets - goodwill		306	215
Intangible assets - other		123	92
Deferred income tax assets		32	21
Amounts due from contract customers		–	6
Other receivables		21	15
Other financial assets		1	7
Pension asset	9	–	1
		788	639
Current assets			
Inventories		164	144
Amounts due from contract customers		236	152
Trade and other receivables		524	648
Cash and cash equivalents	13	296	235
Income tax receivable		4	2
Other financial assets	14	23	–
Derivative financial instruments		2	1
		1,249	1,182
Assets held for sale	10	1	2
TOTAL ASSETS		2,038	1,823
LIABILITIES			
Non-current liabilities			
Borrowings	15	(1)	(161)
Provisions		(111)	(103)
Income tax payable		(32)	(24)
Deferred income tax liabilities		(15)	(15)
Amounts due to contract customers		(42)	(10)
Other payables		(12)	(17)
Pension liabilities	9	(308)	(285)
		(521)	(615)
Current liabilities			
Trade and other payables		(510)	(480)
Amounts due to contract customers		(219)	(240)
Borrowings	15	(9)	(1)
Derivative financial instruments		(4)	(1)
Income tax payable		(35)	(47)
Provisions		(100)	(59)
		(877)	(828)
TOTAL LIABILITIES		(1,398)	(1,443)
NET ASSETS		640	380
Capital and reserves			
Equity share capital		80	80
Treasury shares		(1)	(7)
Other reserves		2,555	4,189
Retained earnings		(2,081)	(3,951)
Equity holders of the parent		553	311
Minority interests		87	69
TOTAL EQUITY	11	640	380

[1] Restated for the IFRIC 14 adjustment to pension liabilities

Invensys plc
Consolidated cash flow statement

For the year ended 31 March 2009

	Notes	2009 £m	2008 £m
Operating activities			
Operating profit:			
Continuing operations	3	178	316
Discontinued operations	6	–	7
Depreciation of property, plant and equipment		46	47
Amortisation of intangible assets - other		22	19
Provision for impairment charged to operating profit	4	17	5
Loss on sale of assets and operations		1	–
PPP settlement credit to operating profit		–	(95)
PPP settlement proceeds		95	–
Sale of property, plant and equipment		3	1
Non-cash charge for share-based payment		11	8
Decrease in inventories		15	7
Decrease/(increase) in receivables		111	(35)
(Decrease)/increase in net amounts due to contract customers		(69)	12
Decrease in payables and provisions		(33)	(29)
Difference between pension contributions paid and amounts recognised in operating profit		(56)	(102)
Cash generated from operations		341	161
Income taxes paid		(34)	(37)
Interest paid		(8)	(55)
Exceptional finance costs		(1)	(18)
Net cash flows from operating activities		298	51
Investing activities			
Interest received		10	16
Purchase of property, plant and equipment		(32)	(37)
Expenditure on intangible assets - other		(24)	(21)
Purchase of subsidiaries		(50)	(12)
Sale of financial assets		32	–
Sale of subsidiaries		(20)	295
Cash invested in financial assets		(13)	–
Net cash acquired/(disposed of) on purchase/(sale) of subsidiaries		3	(19)
Cash flows from investing activities		(94)	222
Financing activities			
Purchase of Invensys plc shares by Employee Share Trust		–	(9)
Purchase of shares on vested share awards		(3)	(4)
Facility fees paid		(6)	–
Transfer of treasury bonds defeasing 144A covenants		(7)	–
Repayment of long-term borrowings		(156)	(363)
Dividends paid to minority interests		(1)	(1)
Cash flows from financing activities		(173)	(377)
Net increase/(decrease) in cash and cash equivalents		31	(104)
Cash and cash equivalents at beginning of year		235	307
Net foreign exchange difference		30	32
Cash and cash equivalents at end of year	13	296	235

Invensys plc
Consolidated statement of recognised income and expense

For the year ended 31 March 2009

	Note	2009 £m	2008 £m (Restated)
Income and expense recognised directly in equity			
Cash flow hedges:			
(Losses)/gains taken to equity		(8)	1
Transferred to the income statement - cost of sales		4	(2)
Exchange differences on translation of foreign operations		133	41
Foreign exchange gain transferred on disposal of operations		-	(1)
Actuarial gain recognised on defined benefit pension schemes		10	218
Irrecoverable element of potential future pension surplus	9	(20)	(66)
Net income recognised directly in equity		119	191
Profit for the year		133	336
Total recognised income for the year		252	527
Attributable to:			
Equity holders of the parent		233	516
Minority interests		19	11
		252	527
Effect of changes in accounting policy:			
Change in accounting policy on the adoption of IFRIC14			
- Irrecoverable element of potential future pension surplus	9	(20)	(66)
Attributable to:			
Equity holders of the parent		(20)	(66)

Invensys plc
Notes

1 Basis of preparation

The Financial information presented in this preliminary announcement has been prepared in accordance with the Disclosure and Transparency Rules of the UK Financial Services Authority, International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretation Commitee (IFRIC) interpretations, as adopted by the European Union (EU) and in accordance with the provisions of the Companies Act 1985. The accounting policies applied do not differ significantly from those used for the financial statements for the year ended 31 March 2008 except for the adoption of IFRIC 14, IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. Comparative amounts have been restated for the impact of adopting this new interpretation, which is explained in Note 9.

2 Segmental analysis

	2009 £m	2008 £m	2009 £m	2008 £m
Revenue			**External revenue**	**External revenue**
Business				
Process Systems			951	830
Eurotherm			118	115
Invensys Operations Management			1,069	945
Invensys Rail			636	539
Invensys Controls			579	624
Continuing operations			2,284	2,108
APV			–	308
Invensys Controls - Reversing Valves and Safety			–	37
Invensys Rail - Burco			–	64
Discontinued operations			–	409
Total Group			2,284	2,517
Result	**Operating profit/(loss) ***	**Operating profit/(loss) ***	**Operating profit/(loss)**	**Operating profit/(loss)**
Business				
Process Systems	108	117	79	113
Eurotherm	4	9	2	8
Invensys Operations Management	112	126	81	121
Invensys Rail	134	93	133	187
Invensys Controls	33	69	7	49
Corporate	(35)	(34)	(43)	(41)
Continuing operations	244	254	178	316
Foreign exchange losses on financial items			–	(21)
Exceptional finance costs			(1)	(36)
Finance costs			(12)	(63)
Exceptional finance income			27	–
Finance income			8	18
Other finance charges - IAS 19			(35)	(15)
Taxation			(23)	(30)
Profit after taxation - continuing operations			142	169
APV	–	9	–	2
Invensys Controls - Reversing Valves and Safety	–	3	–	3
Invensys Rail - Burco	–	2	–	2
Corporate - (loss)/profit on disposal of business	–	–	(11)	170
Taxation	–	–	2	(10)
Profit/(loss) after taxation - discontinued operations	–	14	(9)	167
Total Group	244	268	133	336

* Before exceptional items

2 Segmental analysis (continued)

	2009 £m	2008 £m
Geographical analysis by origin - Revenue		
United Kingdom	396	402
Rest of Europe	658	568
North America	758	704
South America	103	103
Asia Pacific	310	283
Africa and Middle East	59	48
Continuing operations	2,284	2,108
Geographical analysis by origin - Operating profit		
United Kingdom	72	57
Rest of Europe	94	75
North America	67	109
South America	8	13
Asia Pacific	36	33
Africa and Middle East	2	1
Corporate	(35)	(34)
Continuing operations	244	254
Geographical analysis by destination - Revenue		
United Kingdom	358	365
Rest of Europe	659	590
North America	704	644
South America	117	111
Asia Pacific	328	305
Africa and Middle East	118	93
Continuing operations	2,284	2,108
United Kingdom	–	15
Rest of Europe	–	130
North America	–	141
South America	–	13
Asia Pacific	–	80
Africa and Middle East	–	30
Discontinued operations	–	409

3 Operating profit

	2009 £m	2008 £m
Revenue	2,284	2,108
Cost of sales	(1,589)	(1,480)
Gross profit	695	628
Distribution costs	(14)	(13)
Administrative costs	(437)	(361)
Operating profit before exceptional items	244	254
Exceptional items *(note 4)*	(66)	62
Operating profit	178	316

Invensys plc
Notes

4 Exceptional items

	2009 £m	2008 £m
Restructuring costs	(48)	(27)
Impairment: property, plant and equipment*	(16)	(4)
Impairment: intangible assets - other	(1)	(1)
Loss on sale of assets and operations	(1)	(1)
PPP settlement credit**	–	95
Exceptional items	(66)	62
Restructuring costs by business:		
Process Systems	(17)	(4)
Eurotherm	(2)	–
Invensys Controls	(23)	(16)
Corporate	(6)	(7)
	(48)	(27)

* The largest component of impairment: property, plant and equipment is the write down of a property in Germany within Process Systems.

** The PPP settlement credit related to a series of agreements dated 31 March 2008 following Metronet entering into administration.

5 Foreign exchange losses on financial items

Foreign exchange losses on financial items are £nil (2008: £21million). This includes £8 million (2008 £13 million gain) of foreign exchange losses relating to derivatives used in the management of the Group's cash, offset by £8 million (2008: £nil million) of foreign exchange gains on corresponding cash balances and intra-group loans which do not form part of the lenders net investment in foreign currency . Following the repayment of external loans made in March and May 2008, the Group no longer has any significant external borrowings. As a result, foreign exchange losses in the year attributable to such borrowings were £nil (2008: £34 million).

In the year ended 31 March 2008 foreign currency borrowings were held as an economic hedge by reference to the Group's underlying cash generation by currency. However, they were not accounted for as net investment hedges under IAS 39 and consequently exchange differences arising on these borrowings were recorded in the income statement.

6 Discontinued operations

No operations have been discontinued in the year to 31 March 2009. Additional costs have been incurred relating to prior year disposals. Discontinued operations in the prior year comprised the APV, Reversing Valves, Safety and Burco businesses which were all sold in the year ended 31 March 2008.

	2009 £m	2008 £m
(Loss)/profit for the year from discontinued operations		
Revenue	–	409
Operating expenses before exceptional items	–	(395)
Operating profit before exceptional items	–	14
Exceptional items*	–	(7)
Operating profit	–	7
(Loss)/profit on assets divested	(11)	177
Charge of associated goodwill	–	(8)
Foreign exchange gain transferred on disposal of operations	–	1
(Loss)/profit on sale of business	(11)	170
(Loss)/profit before taxation - discontinued operations	(11)	177
Taxation	2	(10)
(Loss)/profit after taxation - discontinued operations	(9)	167
Net cash flows from discontinued operations		
Operating	–	(13)
Investing	–	279
Net cash inflow	–	266

* Exceptional items in 2008 related entirely to restructuring costs.

Invensys plc
Notes

7 Earnings per share

	2009	2008
Earnings per share (pence)		
Continuing operations		
Basic	17.4 p	21.1 p
Diluted	17.2 p	20.9 p
Before exceptional finance costs and income, foreign exchange losses on financial items and PPP settlement credit		
Basic	14.1 p	17.0 p
Diluted	14.0 p	16.8 p
Discontinued operations		
Basic	(1.1)p	20.9 p
Diluted	(1.1)p	20.6 p
Total Group		
Basic	16.3 p	42.0 p
Diluted	16.1 p	41.5 p
Weighted average number of shares (million)		
Basic	799	795
Effect of dilution – share awards	7	10
Diluted	806	805
Earnings (£m)		
Continuing operations		
Basic	139	168
Before exceptional finance costs and income, foreign exchange losses on financial items and PPP settlement credit		
Operating profit	178	316
PPP settlement credit	–	(95)
Finance costs	(12)	(63)
Finance income	8	18
Other finance charges - IAS 19	(35)	(15)
Operating profit less net finance costs	139	161
Taxation on operating profit less net finance costs	(23)	(25)
Minority interests	(3)	(1)
	113	135
Discontinued operations		
Basic	(9)	166
Total Group		
Basic	130	334

The basic earnings per share for the year has been calculated using 799 million shares (2008: 795 million), being the weighted average number of shares in issue during the year, 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 for continuing operations has been included since the directors consider that this gives useful additional indications of underlying performance. This is based on earnings before exceptional finance costs and income, foreign exchange losses on financial items and PPP settlement credit.

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.

There have been no significant transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

8 Business Combinations

On 21 August 2008, Invensys plc acquired 100% of the share capital of SAT Corporation, a Houston-based mobile solutions company, for a cash consideration of £30 million. On 17 September 2008, Invensys plc acquired 100% of the share capital of Quantum Engineering Inc., a signalling and train controls company specialising in on-board equipment, from its management, for a cash consideration of £20 million. The acquisitions have been accounted for using the purchase method of accounting. The Consolidated financial statements include the results of SAT Corporation and Quantum Engineering Inc., for the period from their date of acquisition to 31 March 2009. As these business combinations are individually immaterial, the following information is presented in aggregate for the acquired businesses.

The fair value of the identifiable assets and liabilities of the acquired businesses at the dates of acquisition were

	Previous carrying value £m	Fair value recognised on acquisition £m
Property, plant and equipment	0.8	0.8
Intangible assets - other	-	11.9
Trade and other receivables	2.6	2.6
Inventories	1.9	1.9
Cash and cash equivalents	2.5	2.5
Trade and other payables	(1.9)	(4.5)
Net assets	5.9	15.2
Goodwill arising on acquisition		35.5
Total acquisition cost		50.7
The total acquisition cost comprised:		
Cash paid		50.3
Costs directly attributable to the acquisition		0.4
		50.7
Cash outflow on acquisition:		
Cash paid		(50.7)
Net cash acquired with acquisition		2.5
Net cash outflow		(48.2)

The acquired businesses contributed an operating profit of £0.6 million to the Group for the period from acquisition to 31 March 2009.

If the combination had taken place at the beginning of the year, the Group's revenue from continuing operations would have increased to £2,303 million and the operating profit before exceptional items for the Group would have increased to £245 million.

The goodwill arising on acquisition is attributed to the expected synergies and other benefits from combining the assets and activities of SAT Corporation and Quantum Engineering Inc. with those of the Group. These benefits do not meet the criteria for recognition as intangible assets separately from goodwill.

Changes to provisional amounts disclosed in the half-yearly financial statements

At the time of publication of the half-yearly financial statements, the fair values of the acquired businesses had been provisionally determined. Adjustments have been recognised to those provisional values in the second half of the year ended 31 March 2009 resulting in an increase in the net assets acquired of £2.8 million. The adjustments mainly relate to intangibles (£5.4 million increase) and deferred tax included within trade and other payables (£2.7 million decrease). As a result of these adjustments the amount of goodwill recognised has decreased by £2.6 million.

9 Pensions and post-retirement benefits

Changes in the present value of the defined benefit obligation for the year ended 31 March 2009 were as follows:

	Funded schemes			Unfunded schemes			
	Invensys Pension Scheme (UK) £m	Invensys Pension Plan (US) £m	Other £m	US healthcare £m	Other £m	Total £m	2008 £m
Opening present value of defined benefit obligation	(3,888)	(695)	(211)	(26)	(119)	(4,939)	(5,202)
Current service cost	(9)	(7)	(5)	–	(2)	(23)	(27)
Contributions by employees	(1)	–	(1)	–	–	(2)	(1)
Benefit payments	223	50	9	2	13	297	317
Interest on plan liabilities	(230)	(51)	(13)	(3)	(6)	(303)	(273)
Actuarial gains	287	97	26	2	6	418	248
Transfer	-	–	(1)	–	–	(1)	–
Settlements	-	–	4	–	2	6	4
Curtailments	-	–	–	–	–	–	4
Exchange adjustments	–	(253)	(18)	(9)	(21)	(301)	(9)
Closing present value of defined benefit obligation	(3,618)	(859)	(210)	(34)	(127)	(4,848)	(4,939)

Changes in the fair value of plan assets for the year ended 31 March 2009 were as follows:

	Funded schemes				
	Invensys Pension Scheme (UK) £m	Invensys Pension Plan (US) £m	Other £m	Total £m	2008 £m
Opening fair value of plan assets	3,878	663	181	4,722	4,681
Expected return on plan assets	206	50	12	268	258
Contributions by employer	49	9	6	64	116
Contributions by employees	1	–	1	2	1
Benefit payments	(223)	(50)	(9)	(282)	(304)
Actuarial losses	(301)	(65)	(42)	(408)	(30)
Settlements	–	–	(4)	(4)	(1)
Exchange adjustments	–	248	17	265	1
Closing fair value of plan assets	3,610	855	162	4,627	4,722

Reconciliation of assets and liabilities recognised in the balance sheet as at 31 March 2009:

	Funded schemes			Unfunded schemes			
	Invensys Pension Scheme (UK) £m	Invensys Pension Plan (US) £m	Other £m	US healthcare £m	Other £m	Total £m	2008 £m
Present value of defined benefit obligation	(3,618)	(859)	(210)	(34)	(127)	(4,848)	(4,939)
Fair value of plan assets	3,610	855	162	–	–	4,627	4,722
Deficit in the plan	(8)	(4)	(48)	(34)	(127)	(221)	(217)
Restrictions of asset recognised	–	–	(1)	–	–	(1)	(1)
Irrecoverable element of potential future pension surplus	(86)	–	–	–	–	(86)	(66)
Net liability	(94)	(4)	(49)	(34)	(127)	(308)	(284)

Changes in key assumptions

The following assumptions have been updated for the Invensys Pension Scheme (UK):

The discount rate applied is 6.30% (2008: 6.10%). The inflation assumption has been assessed at 3.10% (2008: 3.70%). With regards to mortality tables, the PA92 projected by year of birth with medium cohort projections subject to a 1% underpin and applying multipliers of 122% for males and 135% for females have been used (2008: mortality tables PA92 were adopted using year of birth and medium cohort projections. Probability of death at each age was multiplied by 126%).

Adoption of IFRIC 14

As stated in note 1, the Group has applied IFRIC 14 (IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction) in these financial statements. In line with the transitional provisions of IFRIC 14, the change in accounting policy is effective from 1 April 2008, with the comparatives restated accordingly. Only the UK Main scheme has been affected by the adoption.

The Group is committed to make payments to the UK Main Scheme under a deficit funding plan agreed by the Trustees. Where the present value of the agreed funding payments exceeds the liability in respect of the Scheme as measured under IFRS, and would therefore, when paid, give rise to a surplus as measured under IFRS, IFRIC 14 requires provision to be made for any part of that surplus that would not be recoverable. Any surplus on the UK Main Scheme ultimately repaid by the Trustees would currently be subject to a 35% tax charge prior to being repaid. IFRIC 14 effectively requires a liability for this tax to be recognised at the relevant balance sheet date.

At 1 April 2007, the net defined benefit obligation was £243 million, and the net present value of liabilities arising from future minimum funding requirements was £219 million. After taking account of those future funding requirements, the net position remains a deficit, therefore there is no surplus to be recovered and hence no liability to tax thereon. The impact therefore of adopting IFRIC 14 as at 1 April 2007 is £nil. The table below shows the position at each of the subsequent balance sheet dates.

	2009 £m	2008 £m
IAS 19 net defined benefit obligation	(8)	(10)
Future minimum funding requirements	254	198
Potential future pension surplus	246	188
Irrecoverable element of potential future pension surplus	(86)	(66)
Recoverable element of potential future pension surplus	160	122
Movement in irrecoverable element of potential future pension surplus	(20)	(66)

The net pension liability has been restated to reflect the liability arising on the irrecoverable element of the potential pension surplus for the two years presented. The movement in the irrecoverable element of the potential pension surplus is taken directly to the Consolidated Statement of Recognised Income and Expense.

10 Assets held for sale

Assets held for sale relate to certain surplus freehold properties.

Financial assets with a carrying amount of £25 million classified as held for sale in the September 2008 half-yearly financial statements were sold for £27 million during the second half of the year ended 31 March 2009.

11 Reconciliation of movements in equity

	2009 £m	2008 £m (Restated)
Opening equity (restated)	380	(140)
Total recognised income for the year	252	527
Share-based payment	9	(5)
Dividends paid to minority interests	(1)	(1)
Disposal of subsidiaries	-	(1)
At end of year	640	380
Attributable to:		
Equity holders of the parent	553	311
Minority interests	87	69
	640	380

12 Reconciliation of cash flows

	2009 £m	2008 £m
Net cash flows from operating activities	298	51
Capital expenditure included within investing activities	(56)	(58)
Interest paid	8	55
Exceptional finance costs	1	18
Pension contributions on disposal of operations	12	55
Taxation paid (operating)	34	33
Restructuring	41	31
PPP settlement proceeds	(95)	–
Legacy items:		
Pension contributions	42	47
Taxation paid (legacy)	–	4
Other legacy payments	13	11
	55	62
Operating cash flow	298	247
Restructuring	(41)	(31)
Net finance costs paid	2	(39)
Exceptional finance costs	(1)	(18)
PPP settlement proceeds	95	–
Sale of financial assets	32	–
Taxation paid (operating)	(34)	(33)
Legacy items	(55)	(62)
Free cash flow	296	64
Operating cash flow attributable to:		
Continuing operations	298	258
Discontinued operations	–	(11)
	298	247

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

13 Cash and cash equivalents

	2009 £m	2008 £m
Cash at banks and in hand	134	133
Short-term deposits	162	102
Cash and cash equivalents	296	235

As an international Group, Invensys has operations in a number of territories (such as China, Brazil and India) which place restrictions on the ability of subsidiaries to lend money to other Group entities outside those territories. However, distributions to the Group are permitted from audited reserves. At 31 March 2009 restricted cash and cash equivalents held in such territories totalled £73 million (2008: £58 million).

Where banks that are not part of the Group's lending syndicate provide substantial local bonding facilities, current market conditions dictate that they may require collateral which can be provided in the form of a letter of credit (issued under the Group's syndicated facility) or a cash deposit. Given the Group's net cash position, a deposit can be the most cost-effective way of providing such collateral.

Cash and cash equivalents include £22 million (2008: £31 million) of cash collateral held in the ordinary course of business to provide security for local bonding facilities.

14 Other financial assets

Held-to-maturity financial investments	23	–

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. They are included in non-current assets unless the investment is due to mature within 12 months of the balance sheet date. Held-to-date maturity investments comprise £9 million of US treasury notes held to defease the covenants in the Group's remaining 144A bonds and £14 million of deposits held to secure bonding facilities.

15 Borrowings

Bank and other loans falling due within and after more than one year

	2009 £m	2008 £m
On demand or within one year	9	1
Repayable over one but not more than two years	1	6
Repayable over two but not more than five years	–	155
Total bank and other loans	10	162

As at 31 March 2009, the committed syndicated loan facilities available to the Group comprised a £400 million multicurrency credit facility for a term of five years from July 2008. The facility is available for drawdown as loans, letters of credit or guarantees. This facility replaced the banking facilities put in place during the 2006 Refinancing. The available facilities at 31 March 2009 were £400 million of which £217 million was drawn other than as a cash advance.

As at 31 March 2008 certain loans totalling £155 million, and classified as repayable in over two but not more than five years, were drawn from committed credit facilities as at 31 March 2008. These loans were repaid on 7 May 2008.

16 Contingent liabilities

There have been no material changes in the Group's contingent liabilities since the last annual balance sheet date.

17 Related party transactions

Remuneration of key management personnel:

The key management comprises the executive directors as disclosed in the 31 March 2008 Annual Report and Accounts. Their remuneration consisted of short-term benefits for the year of £3 million (2008: £3 million) and share based payments of £2 million (2008: £2 million).

There are no other related parties transactions, or changes since the last Annual Report and Accounts, that have a material effect on the financial position or performance of the Group in the year.

18 Dividends proposed

	2009 £m	2008 £m
Proposed for approval by shareholders at the AGM:		
Equity dividend on ordinary shares:		
- Final dividend for the year ended 31 March 2009: 1.5p (2008: nil)	12	-
	12	-

Subject to approval by shareholders at the AGM the proposed dividend will be paid on 7 August 2009 and will be accounted for as an appropriation of retained earnings in the year ended 31 March 2010.

The Invensys Employee Share Trust has waived the dividends payable on the 414,534 shares that it owns.

19 Events after the balance sheet date

As described in Note 28 to the 2008 Annual Report and Accounts, the majority of the minority interests balance at 31 March 2008 related to the interests of the minority in Baan Company NV in liquidation (Baan). On 7 May 2009, the Group agreed to acquire 3.67 million Baan shares from some minority shareholders at €2.60 per share, representing a total consideration of €9.5 million. The remaining minority shareholders of Baan own approximately 19 million shares.

20 Exchange rates

	Year ended 31 March 2009 Average	**Year ended 31 March 2008 Average**
US$ to £1	1.72	2.01
Euro to £1	1.20	1.42

	As at 31 March 2009 Closing	**As at 31 March 2008 Closing**
US$ to £1	1.43	1.99
Euro to £1	1.08	1.26

21 Financial information

This preliminary announcement ('statement') was approved by a duly appointed and authorised committee of the Board of Directors on 13 May 2009. 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 full year to 31 March 2009 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 2008 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, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.