

Company Registration No. 478575 (England and Wales)

BTR INDUSTRIES LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2008

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BTR INDUSTRIES LIMITED

COMPANY INFORMATION

Directors	V M Hull D J Thomas
Secretary	Invensys Secretaries Limited
Company number	478575
Registered office	Portland House Bressenden Place London SW1E 5BF
Auditors	Ernst & Young LLP 1 More London Place London SE1 2AF

BTR INDUSTRIES LIMITED

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BTR INDUSTRIES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2008

The directors present their report and financial statements for the year ended 31 March 2008

Principal activities and review of the business

The principal activity of the Company is that of a holding company within the Invensys Group

The results for the year and the financial position at the year end were considered satisfactory by the directors

Results and dividends and Key Performance Indicators

The results for the year are set out on page 6

Loss on ordinary activities before interest and tax was £324 million during the year (2007 £34 million) resulting primarily from a write-off of an investment

Interest payable increased as a result of a changing portfolio of inter company balances, some of which were designated as interest bearing and some as non-interest bearing

Net assets decreased by 11% from £1,431 million in the year ended 31 March 2007 to £1,276 million in the year ended 31 March 2008

The directors do not recommend payment of an ordinary dividend (2007 £nil)

Directors

The following directors have held office since 1 April 2007

V M Hull

D J Thomas

Directors' interests

The provisions of the Companies Act 1985 requiring disclosure of Directors' interests in the shares of Invensys plc were repealed by the Companies Act 2006. As such, no details have been included

Employee involvement

Information concerning employees and their remuneration is given in notes 20 and 21. It is Company policy to ensure continued employment, where possible, to employees who become temporarily or permanently disabled. To satisfy that need consultative procedures enable management and other employees to discuss matters of mutual interest, including health and safety. Through these procedures, departmental channels and the publication of financial and economic information, employees are kept informed about Company and Invensys Group affairs.

In order to safeguard employees, the Company pursues a policy designed to provide secure working environments and training standards at all operating locations. The Company also recognises the need to provide information on matters of concern to employees.

Credit Risk

There are no trade creditors of the Company. The terms of the inter-company financing have been set so that no inter-company liability may be demanded unless the relevant creditor, including the Company, has sufficient funds to meet that liability. Accordingly, the Company does not have to meet all such liabilities as they fall due.

BTR INDUSTRIES LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2008

Liquidity Risk

Liquidity risk is the risk that the group will encounter difficulty in meeting the financial obligation as they fall due

Operating within the strict controls of the Group's policy, the Group manages this risk with the support of its fellow group undertaking, Invensys International Holdings Limited, ensuring that sufficient funding and liquidity is available to meet the expected needs of the Group

Suppliers' payment policy

The Company's current policy concerning the payment of trade creditors is to

- settle the terms of payment with suppliers when agreeing the terms of each transaction,
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts, and
- pay in accordance with the Company's contractual and other legal obligations

Directors' qualifying third party indemnity provisions

Invensys International Holdings Limited, a wholly owned subsidiary of Invensys plc (the ultimate parent of the Company), has granted an indemnity to all the directors (to the extent permitted by the Companies Act 1985) in respect of liabilities incurred as a result of their office. This indemnity does not cover in the event that the director is proved to have acted dishonestly or fraudulently

Auditors

The company has by elective resolution dispensed with the obligation to appoint auditors annually in accordance with section 386(1) of the Companies Act 1985. Therefore, the auditors, Ernst & Young LLP, will be deemed to be reappointed for each succeeding financial year

Directors' responsibilities in respect of the preparation of the financial statements

The directors are responsible for preparing the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

The directors are required to prepare accounts for each financial year which present fairly the financial position and financial performance of the Company for that period. In preparing those accounts, the directors are required to

- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, comparable and understandable information,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements

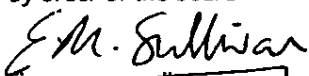
BTR INDUSTRIES LIMITED

DIRECTORS' REPORT (CONTINUED) **FOR THE YEAR ENDED 31 MARCH 2008**

Statement of disclosure to auditor

In accordance with section 234ZA(2) of the Companies Act 1985, the directors confirm, so far as each is aware, that there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all steps that they ought to have taken as a director in order to make themselves aware of, and to establish that the auditors are aware of, any relevant audit information

By order of the board



Per Pro Invensys Secretaries Limited

Secretary

Portland House

Bressenden Place

London

SW1E 5BF

30/09/08

BTR INDUSTRIES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BTR INDUSTRIES LIMITED

We have audited the Company's financial statements for the year ended 31 March 2008 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 25. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' responsibilities on page 2.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

BTR INDUSTRIES LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE SHAREHOLDERS OF BTR INDUSTRIES LIMITED

Opinion

In our opinion

- the financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 March 2008 and of its loss for the year then ended ,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

Ernst & Young LLP

Ernst & Young LLP

Registered Auditor

1 More London Place

London

SE1 2AF

30 SEP 2008

BTR INDUSTRIES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2008

	Notes	2008 £million	2007 £million
Turnover	2	-	1
		-	1
Cost of sales	3	-	(1)
Gross profit		-	-
Administrative expenses	3	(34)	(13)
Other operating income	3	1	18
Operating (loss)/profit	4	(33)	5
Profit on sale of Investment		25	-
Loss on disposal of discontinued operations	22	-	(17)
Amounts written off intercompany balances		(13)	(14)
Amounts written off investments		(303)	(8)
Loss on ordinary activities before interest and taxation		(324)	(34)
Investment income	5	35	10
Interest receivable and similar income	7	1	-
Interest payable and similar charges	6	(673)	(108)
Loss on ordinary activities before taxation		(961)	(132)
Tax on loss on ordinary activities	8	5	8
Loss for the year	17	(956)	(124)

There are no recognised gains and losses other than those passing through the profit and loss account.

The notes on pages 8 - 32 form part of the financial statements

BTR INDUSTRIES LIMITED

BALANCE SHEET

AS AT 31 MARCH 2008

		2008		2007	
	Notes	£million	£million	£million	£million
Fixed assets					
Tangible assets	10		1		2
Investments	11		11,121		11,467
			<u>11,122</u>		<u>11,469</u>
Current assets					
Debtors	12	55		406	
Cash at bank and in hand		-		7	
		<u>55</u>		<u>413</u>	
Creditors: amounts falling due within one year	13	(9,896)		(10,449)	
Net current liabilities			<u>(9,846)</u>		<u>(10,036)</u>
Total assets less current liabilities			1,281		1,433
Provisions for liabilities	14		(5)		(2)
			<u>1,276</u>		<u>1,431</u>
Capital and reserves					
Called up share capital	16		1,498		698
Share premium account	17		1,200		1,200
Profit and loss account	17		(1,422)		(467)
Shareholders' funds	18		<u>1,276</u>		<u>1,431</u>

The notes on pages 8-32 form part of the financial statements

Approved by the Board and authorised for issue on 30/9/08 and signed on its behalf by


D.J. Thomas
Director

BTR INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable UK accounting standards. The policies are consistent with the previous year, except for the adoption of the following new amended standard and interpretation:

- UITF Abstract 41 (IFRIC Interpretation 8) Scope of FRS 20 (IFRS 2), and
- UITF Abstract 44 (IFRIC Interpretation 11) FRS 20 (IFRS 2)- Group and Treasury Share Transactions

Adoption of these standards and interpretations has not had any material effect on the financial statements of the Company.

The company has taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from the requirement to produce a cash flow statement on the grounds that it is a subsidiary undertaking where 90 percent or more of the voting rights are controlled within the group.

Share Based Payment

The Company operates various equity-settled and cash settled share schemes.

For equity-settled share options, the services received from employees are measured by reference to the fair value of the share options. The fair value is calculated at grant date using the Black-Scholes option pricing model and recognised in the profit and loss account, together with a corresponding increase in shareholders' equity, on a straight-line basis over the vesting period, based on an estimate of the number of options that will eventually vest. Vesting conditions, other than market conditions, are not taken into account when estimating the fair value. Market conditions are those conditions that are linked to the share price of the Invensys plc.

For equity-settled share award schemes, the fair value is calculated based on the share price at the grant date and, where applicable, any market vesting conditions, and expensed over the vesting period based on the number of shares expected to vest. No expense is recognised for awards that do not ultimately vest, with the exception of awards where vesting is conditional upon a market condition, these are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are met.

For cash-settled share awards, the services received from employees are measured at fair value and recognised in the profit and loss account as an expense over the vesting period with recognition of a corresponding liability. The fair value of the liability is remeasured at each reporting date and at the date of settlement with changes in fair value recognised in the profit and loss account.

BTR INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) **FOR THE YEAR ENDED 31 MARCH 2008**

1 Accounting policies

(continued)

1.3 Going concern

The Company has full access to term and revolving bank credit and bonding facilities maturing in 2013, being a principal borrower under facilities arranged to support the Invensys Group. Accordingly, finance is available to meet external liabilities as they fall due and to support subsidiary companies.

In addition, the terms of intercompany financing have been set so that no intercompany liability may be demanded unless the relevant creditor, including the Company, has sufficient funds to meet that liability. Accordingly, the Company does not have to meet all such liabilities as they fall due.

The directors believe that it is therefore appropriate to prepare the accounts on a going concern basis.

1.4 Turnover

Turnover represents amounts receivable for goods and services net of value added tax and trade discounts.

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life at the following rates:

Plant and machinery	7% - 35%
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1.6 Investments

Investments in subsidiary undertakings are held at cost less provisions for impairment where a permanent diminution in value has been identified.

1.7 Pensions

The Company's employees belong to the Invensys Pension Scheme, a defined benefit scheme.

The Company is unable to separately identify its share of the underlying assets and liabilities of the Invensys Pension Scheme to which it participates on a consistent basis and therefore accounts for this scheme as a defined contribution scheme, in accordance with the provisions of FRS 17.

BTR INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) **FOR THE YEAR ENDED 31 MARCH 2008**

1 Accounting policies

(continued)

1.8 Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less tax, in the future, with the following exceptions

Provision is made for tax on gains arising from fair value adjustments of fixed assets, or gains on disposal of fixed assets, that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable.

Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

1.9 Group accounts

Group accounts have not been prepared because the Company is a wholly owned subsidiary undertaking of Invensys plc, a company incorporated in England & Wales. As a result, the accounts present information about the Company as an individual undertaking and not about its group.

2 Turnover

The total turnover of the company for the year has been derived from its activity wholly undertaken in the United Kingdom.

Turnover is all attributable to the same class of business, process systems.

BTR INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2008

3 Cost of sales administrative and net operating expenses

	2008 £million	2007 £million
Cost of sales	-	1
Administrative expenses	34	13
Other operating income	(1)	(18)
	<u>33</u>	<u>(4)</u>

4 Operating (loss)/profit

	2008 £million	2007 £million
Operating (loss)/profit is stated after charging		
Depreciation of tangible assets	1	1
Pension contributions (including pension deficit reduction payments)	1	2
Restructuring costs	5	1

Restructuring costs of £5,343,000 (2007 £618,000) refer to the Company's finance transformation initiative involving the outsourcing of some finance activities

Fees paid to the Company's auditors for the audit of the financial statements were £16,000 (2007 £15,000)

Fees paid to the Company's auditors for non-audit services to the Company itself are not disclosed in the Company's financial statements since the consolidated accounts of the Company's ultimate parent, Invensys plc, are required to disclose non-audit fees on a consolidated basis

5 Investment income

	2008 £million	2007 £million
Income from shares in Group undertakings	35	10
	<u>35</u>	<u>10</u>

BTR INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2008

6	Interest payable and similar charges	2008 £million	2007 £million
	Interest payable to Group companies	<u>673</u>	<u>108</u>
	Interest has been charged on an inter-company balance with Invensys International Holdings Limited at LIBOR plus 7%		
7	Interest receivable and similar income	2008 £million	2007 £million
	Other interest receivable	<u>1</u>	<u>-</u>
8	Taxation	2008 £million	2007 £million
	(i) Analysis of tax (credit)/charge		
	Current tax on income for the period		
	UK corporation tax-Current year	(1)	-
	UK corporation tax-Adjustments for prior years	(4)	(3)
	Foreign corporation tax-Adjustments for prior years	-	(5)
	Current tax charge	<u>(5)</u>	<u>(8)</u>
	(ii) Factors affecting the tax credit for the year		
	Loss on ordinary activities before taxation	<u>(961)</u>	<u>(132)</u>
	Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2007 - 30.00%)	<u>(288)</u>	<u>(40)</u>
	Effects of		
	Disposal of investments - non-deductible loss/(non-taxable gain)	(8)	5
	Non-taxable dividends received	-	(3)
	Other permanent differences	85	4
	UK to UK transfer pricing adjustment relating to interest	(70)	(26)
	Group relief surrender	280	57
	Reversal of prior tax provision	(4)	(8)
	Current tax charge	<u>(5)</u>	<u>(8)</u>

BTR INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2008

8 Taxation

(continued)

(iii) Factor that may affect future tax charges

As a UK resident company in the Invensys plc group the Company is eligible to surrender UK group relief to, or claim UK group relief from, other Invensys plc group companies. These claims and/or surrenders may be made with or without charge.

Deferred Taxation

Deferred tax (assets) and liabilities are analysed as follows

Provided	31 March 2008 £million	31 March 2007 £million
Accelerated capital allowances	0	0
Pension contributions	0	0
Share based payments	0	0
Revenue losses	0	0
Capital losses	0	0
	<u>0</u>	<u>0</u>

Deferred tax (assets) and liabilities not recognised in the accounts are analysed as follows

Unprovided	31 March 2008 £million	31 March 2007 £million
Accelerated capital allowances	(2)	(1)
Pension contributions	0	0
Share based payments	(1)	0
Revenue losses	0	(1)
Capital losses	(70)	(128)
	<u>(73)</u>	<u>(130)</u>

BTR INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2008

8 Taxation

(continued)

These deferred tax assets have not been recognised since there is no persuasive evidence that there will be suitable taxable profits against which timing differences will reverse

It is likely that the asset will be recoverable once suitable taxable profits are generated

Deferred tax not recognised has been calculated using the standard rate of UK corporation tax of 28.00% (2007: 30.00%) applicable from 1 April 2008. The movements in the year in deferred tax assets not provided include the following amounts in respect of the change in the standard rate of UK corporation tax

	£'000
Accelerated capital allowances	0
Pension contributions	0
Share based payments	0
Revenue losses	0
Capital losses	5
	<hr/>
	5
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There are no unprovided deferred tax liabilities

BTR INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2008

9 Share-based payment plans

The ultimate parent Company operates various share schemes under which options and awards have been granted and are outstanding as detailed below

Plans for senior employees

Executive share options

Invensys 1998 Senior Executive Share Option Scheme

Grant details

An executive share option scheme under which options have been granted to directors and senior executives at no cost. Options are exercisable between the third and tenth anniversary of the grant date at a price equal to the average middle market quoted price of the ultimate parent company's shares over the five dealing days which precede the date of grant. Options are satisfied by the issue of new shares or in the case of awards granted as share appreciation rights, in cash.

Vesting requirements

Performance requirements

(a) for grants made prior to 25 July 2001, Invensys Group earnings per share (EPS) performance of RPI + 12% over a three year period to be applied each year until the earlier of when the condition is met or the measurement period the last financial year of which is the year preceding that in which the option will lapse,

(b) for grants made between 25 July 2001 and 16 June 2002 EPS of RPI + 12% in the three years after grant or EPS of RPI + 16% in the four years after grant or EPS of RPI + 20% in the five years after grant, failing which the option will lapse, and

(c) for grants made on 17 June 2002 and after, total shareholder return (TSR) performance against a peer group of the FTSE100 over a performance period of three, four or five years commencing on the date of grant. 40% will be exercisable if the median position is achieved, rising to 100% if upper quartile position is achieved. Between these two points the option will vest on a straight-line basis. If the performance condition is not met in full at the first measurement then it will be retested against the fixed base in years four and five. If the median position is not achieved by the end of the fifth year the option will lapse. Service requirements: the general rule is that the option will lapse if the participant leaves employment, although options may be exercisable for a certain period of time in defined good leaver cases or with the consent of the Remuneration Committee of the ultimate parent company.

Scheme use

The ultimate parent Company does not propose to operate the Scheme, except in the case of recruitment situations, where it may be considered appropriate. Hence no options were granted during the years ended 31 March 2008 or 31 March 2007.

BTR INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2008

9 Share based payments

(continued)

Details of executive share options outstanding under this scheme are as follows.

	2008		2007	
	Number of share options	Weighted average exercise price (p)	Number of share options	Weighted average exercise price (p)
Outstanding at the beginning of the year	27,543	1,504 31p	27,543	1,504 31
Transferred in from other Group companies	37,930	1,401 17p	114,948	994 91p
Lapsed during the year	-	-	111,035	1,227 49p
Outstanding at the end of the year	65,473	1,444 56p	27,543	1,504 31p
Exercisable at the end of the year	65,473	1,444 56p	16,480	1,907 87p

The options outstanding at the end of the year have a weighted average remaining contractual life of 3.3 years (2007 4.2 years) and the range of exercise prices was between 903 14p and 2,601 17p

Closed option schemes

In addition, during the year ended 31 March 2008, there were executive share options outstanding under the Siebe plc Share Option Scheme 1993 and BTR Executive Share Option Scheme (1995). Grants are no longer made under these closed schemes, the last grant having been made under the Siebe plc Share Option Scheme 1993 in March 1999. Outstanding options under these schemes were 3,887 (2007 3,190), with a weighted average remaining contractual life of 1.0 years (2007 1.9 years) and an exercise price of 2,439 11p.

BTR INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2008

9 Share based payments

(continued)

Long-term incentives

Invensys 1998 Senior Executive Long Term Incentive Plan (LTIP)

Grant details

A long-term incentive plan under which awards are granted to directors and senior executives at no (or nominal) cost. Depending on the country in which the participant is resident the award would be delivered using one of the following mechanisms: (a) a nominal price option award which is a right to acquire shares for a nominal payment (unless the ultimate parent company determines otherwise), (b) a conditional share award, or (c) a cash award (granted in respect of a notional number of shares). Awards are normally subject to a three year performance period, commencing on the date of award, followed by a retention period. For awards granted prior to 22 July 2005 the retention period was two years, for awards made on or after 22 July 2005, 50% of any shares vesting on satisfaction of the performance requirements will be released at the end of the performance period with the other 50% being deferred for one year.

Vesting requirements

Performance requirements

TSR test

TSR ranked against a peer group, selected at the discretion of the Remuneration Committee (with no retesting opportunities). TSR must rank at the median position (when the peer group is ranked in descending order of TSR) in order for 25% of the shares subject to the award to be available (subject to the retention period), rising to 100% of the shares if the upper decile position is achieved. Between these positions, the number of shares will be calculated on a straight-line basis. If at least the median position is not achieved the whole award will lapse. The peer groups selected for the relevant awards are as follows:

- awards granted prior to 22 July 2005: the companies that comprised the FTSE Mid 250 Index on the date of grant, and
- awards granted on or after 22 July 2005: ABB, Eaton, Emerson, GE, Honeywell, Johnson Controls, Rockwell, Schlumberger, Schneider, Siemens, Smiths Group and Yokogawa.

Overall performance test

The Remuneration Committee must be satisfied that: (a) for awards granted prior to 22 July 2005 there has been a sustained delivery over the performance period, regarding the trading performance of continuing operations, disposal proceeds and reduction in the Invensys Group indebtedness, (b) for awards granted on or after 22 July 2005 that two underpins have been met:

- (1) achievement of stretching internal free cash flow targets, and
- (2) efficient management of legacy liability items, and (c) for awards granted on or after 1 June 2006 that two underpin tests have been met:
 - (1) relating to the successful completion of the 2006 Refinancing and in addition that there has been a sustained improvement in the underlying financial performance of the Invensys Group, and
 - (2) efficient management of legacy liability items

BTR INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2008

9 Share based payments

(continued)

Service requirements the general rule is that the award will lapse if the participant leaves employment, although shares may be released in defined good leaver cases or with the consent of the Remuneration Committee after the completion of the first two years of the performance period

Scheme use

Given that no further awards can be granted under the LTIP after July 2008, a new share-based long-term incentive plan, known as the 2007 Long Term Incentive Plan has been established and was approved by shareholders at the 2007 Annual General Meeting. Details of this new scheme are shown below

Grants made during the years ended 31 March 2008 and 31 March 2007 are detailed below

	LTIP awards granted in the year ended 31 March 2008	LTIP awards granted in the year ended 31 March 2007
Total number of awards granted	-	319,941
Exercise price	-	-
Expected volatility	-	-
Weighted average fair value	-	115 9p
Weighted average expected award life	-	3 5 years
Expected dividend yield	-	0 00%
Risk free interest rate	-	-

Details of relevant LTIP awards outstanding during the year are as follows

	Number of awards 2008	Number of awards 2007
Outstanding at the beginning of the year	1,067,933	747,992
Transferred out to other Group companies	77,810	-
Granted during the year	-	319,941
Forfeited during the year	905,285	-
Vested during the year	-	-
Lapsed during the year	23,605	-
Outstanding at the end of the year	61,233	1,067,933

The LTIP awards outstanding at the end of the year have a weighted average remaining contractual life of 1 8 years (2007 2 3 years)

BTR INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2008

9 Share based payments

(continued)

Invensys 2007 Senior Executive Long Term Incentive Plan (LTIP)

Grant details

A long-term incentive plan under which awards are granted to directors and senior executives at no (or nominal) cost. Depending on the country in which the participant is resident the award would be delivered using one of the following mechanisms: (a) a nominal price option award which is a right to acquire shares for a nominal payment (unless the ultimate parent company determines otherwise), (b) a conditional share award, or (c) a cash award (granted in respect of a notional number of shares). Awards are normally subject to a three year performance period, commencing on the date of award. There is no retention period.

Vesting requirements

Performance requirements

Awards will be subject to two independent performance conditions: (a) 35% of an award will be based on growth in the ultimate parent company's TSR relative to the constituent companies of the Standard & Poor's Global 1200 Capital Goods Index, and (b) 35% will be based on the compound annual growth rate in Invensys Group's Earnings per Share. There are no performance conditions applying to the remaining 30% of an award. In addition, the Remuneration Committee retains discretion to ensure that, as a condition for vesting of shares, the underlying overall performance of the Invensys Group must be satisfactory.

Service requirements the general rule is that the award will lapse if the participant leaves employment, although shares may be released in defined good leaver cases.

Scheme use

The 2007 LTIP is used as the Company's main share-based long term incentive plan under which share awards are granted.

BTR INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2008

9 Share based payments

(continued)

Grants made during the years ended 31 March 2008, the first year during which 2007 LTIP awards were granted, are detailed below

	LTIP awards granted in the year ended 31 March 2008
Total number of awards granted	19,915
Weighted average fair value	258 56p
Exercise price	NA
Expected volatility	NA
Weighted average expected award life	3 0 years
Expected dividend yield	0 00%
Risk free interest rate	NA

Details of relevant LTIP awards outstanding during the year are as follows

	Number of awards 2008
Outstanding at the beginning of the year	-
Granted during the year	19,915
Forfeited during the year	-
Vested during the year	-
Lapsed during the year	-
Outstanding at the end of the year	19,915

The LTIP awards outstanding at the end of the year have a weighted average remaining contractual life of 2 4 years

Invensys Restricted Share Plan (RSP)

Grant details

A restricted share plan whereby awards, to be satisfied by the transfer of existing issued shares or in cash, are granted to certain senior employees at no cost

Vesting requirements

Performance requirements

Awards are not subject to a specific performance condition apart from satisfactory personal performance, but in some cases shares are subject to a holding period, historically of one or two years following vesting.

BTR INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2008

9 Share based payments

(continued)

Service requirements the general rule is that the award will lapse if the participant leaves employment, although shares may be released in defined good leaver cases or with the consent of the Remuneration Committee

Scheme Use

The plan is operated predominantly for senior executives in special circumstances, such as recruitment and retention situations

Details of relevant restricted share awards outstanding during the year are as follows

	Number of awards 2008	Number of awards 2007
Outstanding at the beginning of the year	53,529	53,529
Transferred out to other Group companies	53,529	-
Granted during the year	-	-
Forfeited during the year	-	-
Vested during the year	-	-
Lapsed during the year	-	-
Outstanding at the end of the year	-	53,529

Turnaround Bonus Overlay Plan (TBOP)

Grant details

The Company introduced the Turnaround Bonus Overlay Plan (TBOP) in 2005/06 under which executives have the opportunity to receive a supplemental bonus of up to 100% of their base salary in respect of any financial year to be paid in shares upon reaching specified target levels of performance. The TBOP operates in addition to the existing Executive Bonus Plan (EBP). Any bonuses earned under the TBOP (the Overlay Bonus) are payable in shares with 50% of the shares awarded being released following the first anniversary of those shares being awarded and the other 50% being released following the second anniversary.

Vesting requirements

Performance requirements

The amount of the Overlay Bonus (which in turn determines the level of the award) is set by reference to the performance targets specified for the executive in the EBP.

Service requirements release of the shares is generally subject to continued employment at the relevant date although shares may be released early in defined good leaver cases or with the consent of the Remuneration Committee.

Scheme use

BTR INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2008

9 Share based payments

(continued)

It was originally anticipated that the TBOP would be operated up to and including the financial year 2007/08. However, as a result of the changes being made to the annual incentive arrangements for 2007/08 onwards, the TBOP ceased to be operated one year early. The final awards under the TBOP were granted in the year ended 31 March 2008 in respect of the financial year 2006/07.

Grants made during the year ended 31 March 2008 and 31 March 2007 are detailed below

	TBOP awards granted in the year ended 31 March 2008	TBOP awards granted in the year ended 31 March 2007
Total number of awards granted	34,357	-
Exercise price	-	-
Expected volatility	-	-
Weighted average expected award life	1.5 years	-
Expected dividend yield	0.00%	-
Risk free interest rate	-	-

Details of relevant TBOP awards outstanding during the year are as follows

	Number of awards 2008	Number of awards 2007
Outstanding at the beginning of the year	-	-
Transferred in from other Group companies	29,799	-
Granted during the year	34,357	-
Forfeited during the year	-	-
Vested during the year	14,900	-
Lapsed during the year	-	-
Outstanding at the end of the year	49,257	-

The TBOP awards outstanding at the end of the year have a weighted average remaining contractual life of 0.5 years.

BTR INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2008

9 Share based payments

(continued)

All employee schemes

Invensys Savings Related Share Option Scheme

Grant details

The Scheme operates in the UK, is based on a savings plan and is offered to eligible full and part-time employees. Options may be granted at up to a 20% discount to the market price of the ultimate parent company's shares immediately preceding the date of invitation. The vesting period for the options is three, five or seven years.

Vesting requirements

Performance requirements: the Scheme operates in the UK within specific tax legislation and is therefore not subject to performance conditions other than that a participant is required to complete the savings contract in order to exercise their options.

Service requirements: the general rule is that the option will lapse if the participant leaves employment, although options may be exercisable for a certain period of time in defined good leaver cases.

Scheme use

The use of the scheme and potential future launches are reviewed on a regular basis. No options were granted under this Scheme during the years ended 31 March 2008 and 31 March 2007.

Details of relevant options outstanding during the year are as follows:

	2008		2007	
	Number of share options	Weighted average exercise price (p)	Number of share options	Weighted average exercise price (p)
Outstanding at the beginning of the year	31,751	238.86	46,671	251.41
Granted during the year	-	-	-	-
Forfeited during the year	6,674	296.03	13,534	85.03
Exercised during the year	15,996	130.77	1,386	130.77
Lapsed during the year	-	-	-	-
Outstanding at the end of the year	9,081	387.03	31,751	238.66
Exercisable at the end of the year	-	-	-	-

BTR INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2008

9 Share based payments

(continued)

The options outstanding at the end of the year have a weighted average remaining contractual life of 0.5 years (2007: 1.5 years) and an exercise price of 387.03p

Measurement of fair value

An 'adjusted market value' method of valuation, based on market value at grant date and market-based performance conditions has been used to calculate the fair value of all awards granted in the year

10 Tangible fixed assets

	Plant and machinery £million
Cost	
At 1 April 2007 & at 31 March 2008	11
Depreciation	
At 1 April 2007	9
Charge for the year	1
At 31 March 2008	10
Net book value	
At 31 March 2008	1
At 31 March 2007	2

BTR INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2008

11 Fixed asset investments

	Shares in subsidiary undertakings £million
Cost	
At 1 April 2007	11,564
Impairment	(303)
Disposals (see note 22)	(54)
	<hr/>
At 31 March 2008	11,207
	<hr/>
Provisions	
At 1 April 2007	97
On disposals	(11)
	<hr/>
At 31 March 2008	86
	<hr/>
Net book value	
At 31 March 2008	11,121
	<hr/>
At 31 March 2007	11,467
	<hr/>

Principal subsidiary undertakings and their country of incorporation are shown below. A complete list of all subsidiary undertakings will be filed with the Company's annual return.

BTR INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2008

11 (continued)

Company	Country of registration or incorporation	Class	Shares held %	Nature of business
Subsidiary Undertakings				
BTR Property Holdings Limited	England & Wales	Ordinary	100	Property lease holding company
Curzon Estates Limited	England & Wales	Ordinary	100	Property lease holding company
Dunlop Plantations Limited (*)	England & Wales	Ordinary	100	Investment holding company
Maxfort Insurance Limited	Guernsey	Ordinary	100	Insurance agent
BTR Sweden AB	Sweden	Ordinary	100	Holding company
Unitech Limited	England & Wales	Ordinary	100	Non trading
Siebe Climate Controls International Limited	England & Wales	Ordinary	100	Non trading
Siebe Investments One Limited	England & Wales	Ordinary	100	Non trading
Siebe Investments Two Limited	England & Wales	Ordinary	100	Non trading
BTR Finance BV	The Netherlands	Ordinary	100	Non trading
BTR (European Holdings) BV	The Netherlands	Ordinary	100	Holding company
Invensys Luxembourg S a r l	Luxembourg	Ordinary	100	Non trading
Eurotherm Holdings Limited	England & Wales	Ordinary	100	Non trading
Thomas Tilling Limited	England & Wales	Ordinary	100	Non trading
Hawker Siddeley Overseas Investments Limited	England & Wales	Ordinary	100	Non trading
Invensys Group Holdings Limited	England & Wales	Ordinary	100	Holding company
Unitech Group Limited	England & Wales	Ordinary	100	Non trading
Crompton Parkinson Limited	England & Wales	Ordinary	100	Property lease holding company
Thomas Tilling International Limited	England & Wales	Ordinary	100	Non trading

(*) Preference share capital listed on the London Stock Exchange

BTR INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2008

12 Debtors	2008 £million	2007 £million
Amounts owed by parent and fellow subsidiary undertakings	52	404
Other debtors	2	2
Prepayments and accrued income	1	-
	<u>55</u>	<u>406</u>

13 Creditors: amounts falling due within one year	2008 £million	2007 £million
Bank loans and overdrafts	1	-
Amounts owed to parent and fellow subsidiary undertakings	9,883	10,436
Corporation tax	1	3
Other creditors	2	1
Accruals and deferred income	9	9
	<u>9,896</u>	<u>10,449</u>

14 Provisions for liabilities and charges	Other £million
Balance at 1 April 2007	2
Charged during the year	<u>3</u>
Balance at 31 March 2008	<u>5</u>

The provision relates to an amount provided for environmental costs which is expected to be utilised by March 2012

BTR INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2008

15 Pension costs

Defined contribution

	2008 £million	2007 £million
Contributions payable by the Company for the year	1	2

From 6 April 2001 the UK employees of BTR Industries Limited are eligible for membership of the Invensys Pension Scheme, which arose from the merger of the BTR Group Pension Scheme and the Siebe Pension Scheme at that date. The Invensys Pension Scheme, and its predecessors, are funded defined benefit schemes. Contributions are made in accordance with the recommendations of independent actuaries based on pension costs across the eligible group.

The Company has adopted FRS 17 effective from 1 April 2003. However, the Company is unable to separately identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore accounts for the Scheme as a defined contribution scheme in accordance with the provisions of FRS 17.

The valuation of the Invensys Pension Scheme as at 31 March 2008 under the requirements of FRS 17 showed a deficit before deferred tax of £10 million (2007: £243 million) with assets of £3,878 million (2007: £3,856 million) and liabilities of £3,888 million (2007: £4,099 million).

The full disclosures required under FRS 17 relating to the Invensys Pension Scheme are included in the accounts of Invensys plc, the ultimate parent undertaking of BTR Industries Limited.

The pension charge includes £1,255,400 (2007: £520,000) relating to the Company's allocation of a payment made into the UK pension scheme in order to fund the deficit.

At 31 March 2008, there was £51,387 (2007: £32,000) of outstanding contributions included in creditors.

BTR INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2008

16 Share capital	2008 £million	2007 £million
Authorised		
700,050,000 ordinary shares of £1 each	700	700
800,000,000 10% redeemable non-cumulative preference shares of £1 each	800	-
	<u>1,500</u>	<u>700</u>
Allotted, called up and fully paid		
698,450,000 ordinary shares of £1 each	698	698
800,000,000 10% redeemable non-cumulative preference shares of £1 each	800	-
	<u>1,498</u>	<u>698</u>

On 30 April 2007 the authorised share capital of the Company was increased to £1,500,050,000 by the creation of 800,000,000 10% redeemable non-cumulative preference shares of £1, these shares were allotted to the immediate parent undertaking

Preference shares classified as Equity

Rights of preference shares

10% non-cumulative redeemable preference shares of £1 each

i) Entitle holders, in priority to holders of all other classes of shares, to a fixed non-cumulative preferential dividend at a rate of 10% per annum,

ii) Will be redeemed by the Company at any time at par,

iii) On return of capital on winding up, or otherwise, carry the right to repayment of capital. This right is in priority to the rights of the ordinary shareholder, and

iv) Carry the right to attend and vote at any general meeting of the Company only if a resolution is to be considered at the meeting (a) for the winding up of the Company, (b) for the redemption of the preference shares or (c) varying or abrogating any of the special rights attached to the preference shares

BTR INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2008

17 Statement of movements on reserves

	Share premium account £million	Profit and loss account £million
Balance at 1 April 2007	1,200	(467)
Loss for the year	-	(956)
Share-based payments	-	1
Balance at 31 March 2008	1,200	(1,422)

18 Reconciliation of movements in shareholders' funds

	2008 £million	2007 £million
Loss for the financial year	(956)	(124)
Share-based payments	1	1
Proceeds from issue of shares	800	-
Net depletion in shareholders' funds	(155)	(123)
Opening shareholders' funds	1,431	1,554
Closing shareholders' funds	1,276	1,431

19 Contingent liabilities

Under the terms of the Group Financing agreements, the Company had agreed to give security over its assets in respect of guarantees of bank loans and bonding facilities, together with with other fellow subsidiaries of Invensys plc. Following the refinancing announced on 16 July 2008, on 22 July 2008 those guarantees were withdrawn after the cancellation of the banking and bond facilities.

The Company has cross guarantee arrangements guaranteeing the bank overdrafts of certain other Invensys companies.

In accordance with provisions contained in the Value Added Tax Act 1983, the Company has entered into a joint and several guarantee for Group Registrations.

The Company has contingent liabilities arising in the ordinary course of business from which it is anticipated that no material liabilities will arise.

BTR INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2008

20 Directors' emoluments	2008 £'000s	2007 £'000s
Emoluments for qualifying services	1,220	1,338

Emoluments disclosed above include the following amounts paid to the highest paid director

Emoluments for qualifying services	712	559
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21 Employees

Number of employees

The average monthly number of employees (including directors) during the year was

	2008 Number	2007 Number
Production	-	35
Finance and administration	97	89
	97	124

Employment costs

	2008 £million	2007 £million
Wages and salaries	13	12
Social security costs	2	2
Other pension costs	1	2
	16	16

BTR INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) **FOR THE YEAR ENDED 31 MARCH 2008**

22 Acquisitions and disposals

During the year ended 31 March 2008 the Company acquired the entire share capital of various group undertakings from other Group undertakings. Significant acquisitions are listed below.

	Date of acquisition	Consideration £'000
Walsh Automations Europe Limited	10 September 2007	63
Validation Technologies Europe	10 September 2007	nil
Sorbo Fifty-Three Limited	28 August 2007	nil
APV Baker Limited	28 August 2007	nil

As part of a group initiative to reorganise the group structure, the Company's shareholding in CPN Holdings Pty Limited was cancelled for a fair market value consideration of £66 million, leaving another group company as the sole shareholder of CPN Holdings Pty Limited.

A profit of £61 million arose as a result of the cancellation of these shares.

23 Control

The immediate parent company is Invensys International Holdings Limited, a company registered in England and Wales, and the ultimate parent company is Invensys plc, a company registered in England and Wales. The only group preparing consolidated group financial statements which include the Company is Invensys plc. Copies of the financial statements of Invensys plc can be obtained from the Company Secretarial Department, Invensys plc, Portland House, Bressenden Place, London SW1E 5BF.

24 Related party transactions

As the Company is a wholly owned subsidiary undertaking of Invensys plc, a company registered in England and Wales, which publishes consolidated accounts, the Company has pursuant to paragraph 17 of Financial Reporting Standard No 8 Related Party Disclosures (FRS 8) not included details of transactions with other companies which are subsidiaries of the Invensys group. There are no other related party transactions.

25 Events after the balance sheet date

On the 16 July 2008 Invensys plc, the Company's ultimate parent company, announced that it had signed a new £400 million multicurrency credit facility replacing the banking facilities put in place during the 2006 Refinancing. The new facility is for a term of five years and is available for drawdown as loans, letters of credit or guarantees.