

Financial Statements
for the Year Ended 30 September 2003
for
Johnson Controls (UK) Limited



Johnson Controls (UK) Limited

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for the Year Ended 30 September 2003

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Johnson Controls (UK) Limited
Company information
for the year ended 30 September 2003

DIRECTORS:

J P Kennedy
S Roell
K Wooden
M Powell

SECRETARY:

K Wooden

REGISTERED OFFICE:

Johnson Controls House
Randalls Research Park
Randalls Way
Leatherhead
Surrey
KT22 7TS

REGISTERED NUMBER:

2215149

AUDITORS:

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
31 Great George Street
Bristol
BS1 5QD

Johnson Controls (UK) Limited
Report of the Directors
for the Year Ended 30 September 2003

The directors present their report with the audited financial statements of the company and the group for the year ended 30 September 2003.

PRINCIPAL ACTIVITIES

The principal activities of the group in the year under review were those of the manufacture, and sale, of interiors in the automotive industry, the management of property, and facility operations and maintenance.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The results for the year and financial position of the company and the group are as shown in the annexed financial statements.

The directors do not recommend the payment of a dividend (2002: £nil). The retained loss for the year ended 30 September 2003 of £5,618,000 (2002: £1,824,000) has been transferred to reserves.

The directors anticipate the following operating profit positions: In the property and facilities management business, the growth in operating profits in 2003 will be sustained in the following period. The position of the facility operations and building management systems business will remain consistent over a similar period and the automotive business will return to profitability in 2004.

FIXED ASSETS

Expenditure of £8,900,000 (2002: £14,536,000) on tangible fixed assets during the year and other movements are shown in Note 12 to the accounts.

DIRECTORS AND THEIR INTERESTS

The directors during the year under review were:

J P Kennedy
S Roell
K Wooden
M Powell

The directors holding office at 30 September 2003 did not hold any beneficial interest in the issued share capital of the company or its parents or its subsidiaries at 1 October 2002 or 30 September 2003 which are required to be disclosed in these financial statements.

EMPLOYEES

The directors are committed to maintaining and developing communication and consultation procedures with employees who are in turn encouraged to become aware of, and involve themselves in the performance of the group. It is group policy to hold regular briefing sessions and the group has a number of employee involvement initiatives that have been introduced.

The group pursues a policy of providing, wherever possible, the same employment opportunities to disabled persons as to others. Wherever practicable the group retains staff who become disabled and, to achieve this, modifications have been made, and would be made, to an individual's duties.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Johnson Controls (UK) Limited

Report of the Directors
for the Year Ended 30 September 2003

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and to 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

The company's auditors, PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the Annual General Meeting.

ON BEHALF OF THE BOARD:


.....
K Wooder - Secretary

Date: 27/10/04.....

Johnson Controls (UK) Limited

Report of the Independent Auditors to the Members of
Johnson Controls (UK) Limited

We have audited the financial statements, which comprise the consolidated profit and loss account, the balance sheets and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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.

Basis of audit opinion

We conducted our audit in accordance with auditing standards 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 30 September 2003 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Bristol

Date

9 July 2004

Johnson Controls (UK) Limited

Consolidated Profit and Loss Account
for the Year Ended 30 September 2003

	Notes	2003 £'000	2002 £'000
TURNOVER: (INCLUDING SHARE OF JOINT VENTURE)	2	944,721	842,851
Less: Share of joint venture's turnover		-	(18,540)
TURNOVER		944,721	824,311
Cost of sales		(875,078)	(776,876)
GROSS PROFIT		69,643	47,435
Distribution costs		(14,169)	(12,637)
Administrative expenses		(55,255)	(41,314)
Exceptional administrative expenses	5	(601)	(731)
		(70,025)	(54,682)
Other operating (expense)/income		(116)	14
GROUP OPERATING LOSS	6	(498)	(7,233)
Share of operating profit in joint venture		-	2,288
Share of operating loss in associate		(1,193)	(766)
TOTAL OPERATING LOSS: GROUP AND SHARE OF JOINT VENTURE AND ASSOCIATE		(1,691)	(5,711)
Profit on sale of joint venture		-	10,062
Loss on sale of fixed assets		(16)	(38)
		(1,707)	4,313
Interest receivable and similar income	7	777	712
Interest payable and similar charges	8	(930)	(1,513)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	(1,860)	3,512
Tax on (loss)/profit on ordinary activities	9	104	(906)
(LOSS)/PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		(1,756)	2,606
Minority interests - equity		(3,862)	(4,430)
LOSS FOR THE FINANCIAL YEAR	23	(5,618)	(1,824)

The notes form part of these financial statements

Johnson Controls (UK) Limited

Consolidated Profit and Loss Account
for the Year Ended 30 September 2003

CONTINUING OPERATIONS

None of the group's activities were acquired or discontinued during the current and previous years.

TOTAL RECOGNISED GAINS AND LOSSES

The group has no recognised gains or losses other than the losses for the current and previous years.

HISTORICAL COST

There is no difference between the (loss)/profit on ordinary activities before taxation and the (loss)/profit for the financial year stated above and their historical cost equivalents.

The notes form part of these financial statements

Johnson Controls (UK) Limited

Consolidated Balance Sheet
30 September 2003

	Notes	2003 £'000	2002 £'000
FIXED ASSETS:			
Intangible assets	11	29,622	18,026
Tangible assets	12	48,497	55,219
Investments	13	3,469	3,469
		81,588	76,714
CURRENT ASSETS:			
Stocks	14	21,548	24,020
Debtors	15	224,062	208,835
Cash at bank		-	3,379
		245,610	236,234
CREDITORS:			
Amounts falling due within one year	16	(312,528)	(314,481)
NET CURRENT LIABILITIES:		(66,918)	(78,247)
TOTAL ASSETS LESS CURRENT LIABILITIES:		14,670	(1,533)
CREDITORS:			
Amounts falling due after more than one year	17	(15,196)	(219)
PROVISIONS FOR LIABILITIES AND CHARGES:	20	(13,833)	(10,851)
MINORITY INTERESTS:	21	(6,149)	(2,287)
NET LIABILITIES:	3	(20,508)	(14,890)
CAPITAL AND RESERVES:			
Called up share capital	22	48,013	48,013
Share premium	23	2,003	2,003
Profit and loss account - deficit	23	(70,524)	(64,906)
SHAREHOLDERS' DEFICIT:	29	(20,508)	(14,890)
ANALYSED AS:			
Equity shareholders' deficit		(27,492)	(62,890)
Non-equity shareholders' funds		48,000	48,000
		(20,508)	(14,890)

The financial statements on pages 5 to 33 were approved by the board of directors on 9 July 2004 and were signed on its behalf by:

.....
K Wooden – Director

The notes form part of these financial statements


Johnson Controls (UK) Limited

Company Balance Sheet
30 September 2003

	Notes	2003 £'000	2002 £'000
FIXED ASSETS:			
Investments	13	170,263	170,263
CURRENT ASSETS:			
Debtors	15	43,970	42,402
CREDITORS:			
Amounts falling due within one year	16	(189,301)	(186,058)
NET CURRENT LIABILITIES:		(145,331)	(143,656)
TOTAL ASSETS LESS CURRENT LIABILITIES:		24,932	26,607
CAPITAL AND RESERVES:			
Called up share capital	22	48,013	48,013
Share premium	23	2,003	2,003
Profit and loss account	23	(25,084)	(23,409)
SHAREHOLDERS' FUNDS:	29	24,932	26,607
ANALYSED AS:			
Equity shareholders' funds		(23,068)	(21,393)
Non-equity shareholders' funds		48,000	48,000
		24,932	26,607

The financial statements on pages 5 to 33 were approved by the board of directors on 9 July 2004 and were signed on its behalf by:

.....
K Wooden - Director



The notes form part of these financial statements

Johnson Controls (UK) Limited
Notes to the Financial Statements
for the year ended 30 September 2003

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with accounting standards applicable in the United Kingdom.

The principal accounting policies of the group have remained unchanged from the previous period and are set out below.

Fundamental accounting concept

The financial statements have been prepared under the going concern basis. The ultimate parent undertaking of the company has agreed to provide continuing financial support to allow the company and the group to meet their liabilities for the foreseeable future.

Basis of consolidation

The consolidated financial statements include the results of the company and all its subsidiaries. As provided by the Companies Act 1985, a separate profit and loss account for the company is not disclosed. Acquisitions of subsidiaries are included in the financial statements from the effective date of acquisition using the acquisition method of accounting. Intra group transactions are eliminated on consolidation.

The group's share of profits/losses of joint ventures is included in the consolidated profit and loss account and the group's share of their net assets is included in the consolidated balance sheet under the gross equity method of accounting for joint ventures and under the equity accounting method for associates.

Turnover

Turnover comprises the gross sales value of products and of contracts at their stage of completion at the balance sheet date. Turnover is stated net of trade discounts allowed and excludes Value Added Tax.

Goodwill

Goodwill arising on the acquisition of a business or assets represents the excess of the fair value of the consideration paid over the fair value of the identifiable net assets acquired. Goodwill is capitalised and amortised over its anticipated useful life, usually of 20 years. If an impairment event occurs the carrying value of goodwill is reviewed and if necessary written down to appropriate levels.

Goodwill and negative goodwill which arose prior to 23 December 1989 remains eliminated against reserves and will be charged in the profit and loss account on disposal of the business to which it relates.

Licenses

Licenses relating to products and technology are capitalised at their purchase price and amortised over the anticipated useful life of the licenses (generally five years).

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Freehold buildings	- 2% - 2.5% on straight line basis
Short leasehold	- over period of lease
Long leasehold	- over period of lease
Plant and machinery	- 10% - 50% on straight line basis
Fixtures, fittings tools and equipment	- 10% - 50% on straight line basis

Freehold land is not depreciated.

Johnson Controls (UK) Limited
Notes to the Financial Statements
for the year ended 30 September 2003

1. ACCOUNTING POLICIES - continued

Stocks

Stocks and work in progress are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Cost includes all direct expenditure and an appropriate proportion of fixed and variable overheads.

Deferred tax

Provision is made for deferred taxation on all material timing differences. Deferred tax assets are recognised where their recovery is considered more likely than not. Deferred tax assets and liabilities have not been discounted.

Research and development

Expenditure on research and development is charged to the profit and loss account in the period in which it is incurred.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to the profit and loss account as incurred.

Tooling refundable by customers, which is financed by finance leases, is shown within debtors and the matching lease obligation shown within creditors. Lease finance charges are recoverable from customers and are included within debtors.

Pensions

The group operates both defined contribution and defined benefit schemes.

The estimated cost of pensions in respect of the group's defined benefit pension schemes, based on the advice of independent qualified actuaries, is charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees in the scheme. Variations from the estimated costs are spread over the expected remaining service lives of current employees in the scheme. Further disclosures in relation to the defined benefit scheme are included in note 24 to the accounts.

The cost of pensions under defined contribution schemes are charged to the profit and loss account as incurred.

Investments

Investments are normally stated at cost less provisions for any diminution in value.

The group's interest in the net assets of associated companies is shown under investments in the consolidated balance sheet. Impairments in the carrying value of investments are derived from the group's interest in the movement in net assets of the associate companies.

Investments in certain subsidiaries were acquired as consideration for the issue of shares to group companies and advantage has been taken of the provisions of section 132 of the Companies Act 1985 to reduce the amount required to be transferred to the share premium account. Investments in these subsidiaries are stated in the company's balance sheet at the sum of the nominal value of shares issued and the amounts required to be transferred to the share premium account as permitted by section 132 of the Companies Act 1985, less any provisions to reduce the carrying value of investments to the directors' assessment of the net realisable value of the investment to the company.

The company's investment in a convertible security is stated at a principal amount of £88m. It is convertible on or after 1 December 2002 into 13.25% Preference shares in the issuer, having a par value of £88m.

Johnson Controls (UK) Limited

Notes to the Financial Statements
for the year ended 30 September 2003

1. ACCOUNTING POLICIES - continued

Tooling costs

Tooling costs, which are recoverable from customers, are included within debtors. Tooling costs borne by the group are capitalised within tangible fixed assets and written off over their useful economic life, up to a maximum of seven years.

Government grants

Government capital grants received on fixed asset additions are treated as deferred income and included in the balance sheet as current and non-current creditors as applicable. The grants are credited to the profit and loss account over the estimated useful life of the assets to which they relate.

Contracting accounting

Short term and facilities management contracts

Profits on short term contracts are recognised when the contracts are substantially complete.

Work in progress is stated at the lower of cost and net realisable value. Cost represents materials, labour and direct site expenses where applicable.

Billings are rendered on account of contracts in progress which in the financial statements are stated net of such billings received and receivable except where they exceed the cost of work done. Any excess received is included under current liabilities.

Long term contracts

Profits on long term contracts are recognised on a percentage of completion basis.

Amounts recoverable on contracts represent revenue earned, for which billings have yet to be made. Billings in excess of revenue earned are included under current liabilities.

Cash flow statement

The financial statements of the ultimate parent undertaking, Johnson Controls Inc. are publicly available and include a consolidated cash flow statement dealing with the cash flows of the group. The group is therefore exempt from preparing a cash flow statement under FRS1(revised) 'Cash Flow Statements' and accordingly, no statement is included within these financial statements.

2. TURNOVER: GROUP AND SHARE OF JOINT VENTURE

The turnover: group and share of joint venture and loss before taxation are attributable to the principal activities of the group.

The analysis of turnover, profits and net assets between different geographical markets has been omitted from the notes to the accounts, since in the opinion of the directors, the disclosure of such information would be seriously prejudicial to the interests of the group.

An analysis of turnover: group and share of joint venture by class of business is given below:

	2003	2002
	£'000	£'000
Automotive industry	602,252	470,968
Property and facility management	255,469	295,655
Facility operations and building management systems	87,000	76,228
	944,721	842,851
<i>Group share of associates' turnover:</i>		
Automotive industry	8,028	7,438

Johnson Controls (UK) Limited

Notes to the Financial Statements
for the year ended 30 September 2003

3. FURTHER SEGMENTAL INFORMATION

An analysis of (loss)/profit on ordinary activities before taxation by class of business is given below:

	2003 £'000	2002 £'000
Holding company	(3,206)	(874)
Automotive industry	(15,566)	(15,781)
Property and facility management	18,639	21,912
Facility operations and building management systems	(1,727)	(1,745)
	(1,860)	3,512

An analysis of the net liabilities by class of business is given below:

	2003 £'000	2002 £'000
Holding company	(40,566)	(37,630)
Automotive industry	(27,804)	(12,239)
Property and facility management	22,864	8,605
Facility operations and building management systems	24,998	26,374
	(20,508)	(14,890)

4. STAFF COSTS

	2003 £'000	2002 £'000
Wages and salaries	170,970	166,700
Social security costs	14,960	12,812
Other pension costs	10,705	7,543
	196,635	187,055

The average monthly number of employees during the year was as follows:

	2003 Number	2002 Number
Employees	7,187	7,125

5. EXCEPTIONAL ADMINISTRATIVE EXPENSES

The total charge relating to exceptional items included within administrative expenses is £601,000 (2002: £731,000), relating to rationalisation costs incurred in relation to a particular contract to eliminate surplus capacity and increase profitability.

Johnson Controls (UK) Limited
Notes to the Financial Statements
for the year ended 30 September 2003

6. GROUP OPERATING LOSS

The group operating loss is stated after charging:

	2003 £'000	2002 £'000
Hire of plant and machinery	1,023	2,413
Depreciation - owned assets	12,368	14,815
Amortisation of goodwill	3,149	1,550
Auditors' remuneration (Company only £20,500 (2002: £17,000))	234	211
Auditors' remuneration for non-audit work	130	170
Foreign exchange losses	(454)	460
Income from government grants	(145)	(196)

	2003 £'000	2002 £'000
Directors' emoluments	140	128
Directors' pension contributions to money purchase schemes	9	7

The number of directors to whom retirement benefits were accruing was as follows:

	2003 Number	2002 Number
Money purchase schemes	1	1

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	2003 £'000	2002 £'000
<i>Group:</i>		
Interest receivable from non UK group undertakings	737	453
Other interest receivable	38	-
	775	453
<i>Associates: Group share</i>	2	1
<i>Joint venture: Group share</i>	-	258
	777	712

8. INTEREST PAYABLE AND SIMILAR CHARGES

	2003 £'000	2002 £'000
<i>Group:</i>		
Interest payable to non UK group undertakings	610	1,240
Bank interest	39	43
	649	1,283
<i>Associates: Group share</i>	281	230
	930	1,513

Johnson Controls (UK) Limited

Notes to the Financial Statements
for the year ended 30 September 2003

9. TAXATION

Analysis of the tax (credit)/charge

The tax (credit)/charge on the (loss)/profit on ordinary activities for the year was as follows:

	2003	2002
	£'000	£'000
<i>Current tax</i>		
Adjustments in respect of prior periods	(104)	88
Share of tax of joint venture	-	818
	(104)	906
Tax on (loss)/profit on ordinary activities	(104)	906

UK corporation tax has been charged at 30% (2002 - 30%).

Factors affecting the tax charge

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2003	2002
	£'000	£'000
(Loss)/profit on ordinary activities before tax	(1,860)	3,512
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2002 - 30%)	(558)	1,053
<i>Effects of:</i>		
Accelerated capital allowances and other timing differences	819	2,328
Group relief for nil consideration	(5,498)	(2,832)
Group relief surrendered not paid	4,515	2,250
Profit on disposal of investment covered by tax relief	-	(3,018)
Utilisation of tax losses	-	(151)
Permanent differences	-	1,188
Expense not deductible for tax purposes	722	-
Adjustments to tax charge in respect of prior periods	(104)	88
Current tax (credit)/charge	(104)	906

10. PROFIT OF PARENT COMPANY

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year was £(1,675,000) (2002: £3,632,000).

Johnson Controls (UK) Limited
Notes to the Financial Statements
for the year ended 30 September 2003

11. INTANGIBLE FIXED ASSETS

Group

	Goodwill £'000	Patents and licences £'000	Total £'000
COST:			
At 1 October 2002	32,196	350	32,546
Additions	14,745	-	14,745
Disposals	-	(350)	(350)
At 30 September 2003	46,941	-	46,941
AMORTISATION:			
At 1 October 2002	14,170	350	14,520
Amortisation for year	3,149	-	3,149
Eliminated on disposal	-	(350)	(350)
At 30 September 2003	17,319	-	17,319
NET BOOK VALUE:			
At 30 September 2003	29,622	-	29,622
At 30 September 2002	18,026	-	18,026

Licenses represent costs recharged from an overseas group undertaking in respect of the development of new products to be manufactured and sold in the UK.

The goodwill arising on the acquisition of Johnson Controls Limited is being amortised on a straight-line basis over 20 years. This period is the period over which the directors estimate that the values of the underlying business acquired are expected to exceed the value of the underlying assets.

Additions in the year relate to the purchase on 1 June 2003 of goodwill in respect of a seating assembly programme. The goodwill is being amortised over 3 years, being the life of the programme.

Positive goodwill eliminated against reserves prior to 23 December 1989 amounted to £6,182,000. Negative goodwill added to reserves prior 23 December 1989 amounted to £5,656,000. This goodwill was written off as a matter of accounting policy and would be charged or credited in the profit and loss account on subsequent disposal of the business to which it related.

Johnson Controls (UK) Limited

**Notes to the Financial Statements
for the year ended 30 September 2003**

12. TANGIBLE FIXED ASSETS

Group	Freehold property	Short leasehold	Long leasehold	Plant and machinery	Fixtures, fittings, tools and equipment	Assets in course of construction	Total
	£000	£000	£000	£000	£000	£000	£000
COST:							
At 1 October 2002	23,100	722	3,786	95,075	16,154	4,695	143,532
Additions	131	31	23	3,557	1,386	3,772	8,900
Disposals	(3,841)	(2)	-	(1,879)	(950)	-	(6,672)
Reclassifications	-	-	53	5,186	(315)	(4,924)	-
At 30 September 2003	19,390	751	3,862	101,939	16,275	3,543	145,760
DEPRECIATION:							
At 1 October 2002	6,972	257	1,805	67,540	11,739	-	88,313
Charge for year	880	92	145	8,922	2,329	-	12,368
Eliminated on disposal	(1,427)	(2)	-	(1,063)	(926)	-	(3,418)
Reclassifications	(93)	-	93	(61)	61	-	-
At 30 September 2003	6,332	347	2,043	75,338	13,203	-	97,263
NET BOOK VALUE:							
At 30 September 2003	13,058	404	1,819	26,601	3,072	3,543	48,497
At 30 September 2002	16,128	465	1,981	27,535	4,415	4,695	55,219

Assets are transferred from Assets in course of construction to other classes of asset on being commissioned.

13. FIXED ASSET INVESTMENTS

Group	Interest in associated undertaking £'000
COST:	
At 1 October 2002 and 30 September 2003	5,364
PROVISIONS:	
At 1 October 2002 and 30 September 2003	1,895
NET BOOK VALUE:	
At 30 September 2003	3,469
At 30 September 2002	3,469

The group's share of the losses of the associate undertaking is reflected in note 20.

Johnson Controls (UK) Limited

Notes to the Financial Statements
for the year ended 30 September 2003

13. FIXED ASSET INVESTMENTS - continued

Company

The company's investments in subsidiaries comprises:

	Shares	Convertible security	Provisions	Total
	£000	£000	£000	£000
At 1 October 2002 and 30 September 2003	96,787	88,000	(14,524)	170,263

The company holds an investment in a convertible security issued by a group undertaking, stated at a principal amount of £88,000,333. The instrument confers on the company the right to convert the security, at any time, at par into preference shares in the issuer, carrying the right to a cumulative preferential dividend at the rate of 13.25%.

Johnson Controls (UK) Limited

**Notes to the Financial Statements
for the year ended 30 September 2003**

13. FIXED ASSET INVESTMENTS - continued

Group and company

The group or the company's investments at the balance sheet date in the share capital of companies, all of which are incorporated in England, include the following:

	Nature of business	Class of shares	Proportion of nominal value of issued shares held by:		Accounting reference date
			The company	Other group companies	
Group undertakings:					
Johnson Control Systems Ltd	Facilities operation and installation of building management systems	Ordinary Preferred ordinary	100% 100%	- -	30 September
Johnson Controls Ltd	Property and facilities management	Ordinary	79%	-	30 September
Johnson Controls Automotive (UK) Ltd	Manufacture of seats and components	Ordinary Preferred ordinary	40% -	60% 100%	30 September
Cardkey European Holdings Ltd	Dormant	Ordinary Limited preference Convertible cumulative redeemable participating preference	- - -	100% 100% 100%	30 September
Paul Carter (Environmental Services) Ltd	Dormant	Ordinary	-	100%	30 September
Johnson Control Systems Pensions Ltd	Pension trustee	Ordinary	-	100%	31 March
AJC Johnson Controls Ltd	In Members' voluntary liquidation	Ordinary	-	100%	30 September
Johnson Controls Pension Trustees Ltd	Pension trustee	Ordinary	-	100%	30 September
Associated undertakings:					
Ikeda Hoover Ltd	Manufacture of seats	Ordinary	-	49%	30 September
JRI Technologies Ltd	Manufacture of vehicle trims	Ordinary	-	54.38%	30 September

Johnson Controls (UK) Limited

Notes to the Financial Statements
for the year ended 30 September 2003

13. FIXED ASSET INVESTMENTS - continued

Johnson Controls Automotive (UK) Limited directly owns 49% of the equity share capital in Ikeda Hoover Company Limited. The business and assets of Ikeda Hoover Company Limited were transferred to Johnson Controls Automotive (UK) Limited on 30 September 2001 at book value. The directors consider the investment in Ikeda Hoover Company Limited to represent an associate undertaking and it has therefore not been consolidated into the group accounts.

Johnson Controls Automotive (UK) Limited directly owns 54.38% of the equity share capital in JRI Technologies Limited. JRI Technologies Limited has made a loss during the year and the company's share of the loss has been provided (see note 20). Johnson Controls Automotive (UK) Limited has given an undertaking to continue to make available to JRI Technologies Limited sufficient funds to enable it to continue trading for the foreseeable future in due proportion to the shares issued. It has also undertaken to subordinate any amounts due to it by JRI Technologies Limited in favour of third party creditors, in the event that this becomes necessary.

The directors consider the investment in JRI Technologies Limited to represent an associate undertaking and has therefore not been consolidated into the group accounts.

The profit for the year and the aggregate amount of the capital and reserves of the associated undertakings for their last year ending before 30 September 2003, which are publicly available, are as follows:

	Profit/(loss) for the year £'000	Aggregate capital and reserves £'000
Ikeda Hoover Limited	-	7,080
JRI Technologies Limited	(2,708)	(8,486)

14. STOCKS

	Group 2003 £'000	2002 £'000
Raw materials and consumables	17,921	19,272
Work-in-progress	1,118	1,266
Finished goods and goods for resale	2,509	3,482
	21,548	24,020

Johnson Controls (UK) Limited

**Notes to the Financial Statements
for the year ended 30 September 2003**

15. DEBTORS

	Group		Company	
	2003	2002	2003	2002
	£000	£000	£000	£000
<i>Amounts falling due within one year:</i>				
Trade debtors	147,074	112,593	-	-
Amount owed by UK group undertakings	-	-	121	1,857
Amount owed by non UK group undertakings	44,189	49,977	32,394	29,979
Amount owed by joint ventures and associated undertakings	16,249	9,884	10,770	9,863
Amount recoverable on contracts	4,097	9,968	-	-
Other debtors	1,171	1,406	-	3
Tooling expenditure recoverable from customers	-	6,346	-	-
Taxation	3,023	1,249	685	700
Prepayments and accrued income	5,497	13,496	-	-
	221,300	204,919	43,970	42,402
<i>Amounts due after more than one year</i>				
Prepayments and accrued income	2,762	3,916	-	-
Aggregate amounts	224,062	208,835	43,970	42,402

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2003	2002	2003	2002
	£000	£000	£000	£000
Bank loans and overdrafts (see note 18)	1,192	5,554	2,293	4,530
Payments on account	15,557	17,241	-	-
Trade creditors	105,383	93,385	-	-
Amount owed to UK group undertakings	-	-	93,294	87,847
Amount owed to non UK group undertakings	131,536	125,848	93,640	93,639
Amount owed to joint ventures and associated undertakings	750	9,318	-	-
Taxation	-	15	-	-
Social security and other taxes	7,559	8,801	-	-
Other creditors	3,186	2,844	-	-
Accruals and deferred income	46,908	51,089	74	42
Deferred government grants	457	386	-	-
Aggregate amounts	312,528	314,481	189,301	186,058

Johnson Controls (UK) Limited

**Notes to the Financial Statements
for the year ended 30 September 2003**

17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 2003 £'000	2002 £'000
Deferred government grants	203	219
Amounts owed to group undertakings	14,993	-
	15,196	219

18. LOANS AND OVERDRAFTS

An analysis of the maturity of loans and overdrafts is given below:

	Group 2003 £000	2002 £000	Company 2003 £000	2002 £000
<i>Amounts falling due within one year or on demand</i>				
Bank overdrafts	1,192	5,554	2,293	4,530

All liabilities held by The Royal Bank of Scotland plc are guaranteed by the ultimate parent company Johnson Controls Inc, to a maximum of £35,000,000.

19. OPERATING LEASE COMMITMENTS

At 30 September 2003 the group had annual commitments under non-cancellable operating leases for assets expiring as follows:

Group

	Operating leases			
	Land and buildings		Other	
	2003 £000	2002 £000	2003 £000	2002 £000
<i>Expiring:</i>				
Within one year	59	142	257	754
Between one and five years	336	357	2,650	4,111
In more than five years	2,517	2,617	-	46
	2,912	3,116	2,907	4,911

Johnson Controls (UK) Limited

Notes to the Financial Statements
for the year ended 30 September 2003

20. PROVISION FOR LIABILITIES AND CHARGES

Group

	Pending litigation	Rationalisation provision	Provisions against contracts	Financial support of associate	Provision for losses	Totals
	£000	£000	£000	£000	£000	£000
At 1 October 2002	807	2,337	4,565	3,142	-	10,851
Charged to profit and loss account	350	240	2,095	1,472	3,346	7,503
Credited to the profit and loss account	-	(276)	(3,670)	-	-	(3,946)
Utilised in the year	(655)	-	-	-	-	(655)
Reclassified from creditors	-	-	80	-	-	80
At 30 September 2003	502	2,301	3,070	4,614	3,346	13,833

Pending litigation

In 2001 the group received a claim from a subcontractor for sums allegedly due under contract and damages incurred. A provision of £1,400,000 was made in 2001 in respect of this claim and the related legal costs. During 2002 a judgement was made in respect of this claim, which the company appealed. During 2003, further costs were incurred and, following the determination of that appeal, the overall cost will stand at £1,750,000, of which £350,000 was charged to the profit and loss account in this year.

Rationalisation provision

The group has undertaken a major rationalisation of one of its Public Sector contracts during the year to eliminate surplus capacity on this contract. The provision represents the future liabilities arising as a consequence of the rationalisation

Provisions against contracts

The group has made provisions in respect of claims made on contracts by customers. The directors have undertaken a review of the carrying value of the provision against each specific contract in order to assess whether those provisions are adequate.

The group has reclassified a number of provisions against potential customer claims from trade creditors to provisions following a detailed review. The directors believe that this is a more appropriate treatment for these potential costs.

Financial support of associates

The group has made a provision equal to its share of the net liabilities of its associates.

Provision for losses

The group has made provision for losses anticipated on a long term automotive interiors contract over the life of the project and is expected to be used over 5 years.

Johnson Controls (UK) Limited

**Notes to the Financial Statements
for the year ended 30 September 2003**

20. PROVISION FOR LIABILITIES AND CHARGES - continued

Deferred tax

The group has no potential deferred tax liability. The group has not recognised the deferred tax asset detailed below as it is not considered more likely than not that it will be recovered in future periods.

	Maximum potential asset	
	2003 £'000	2002 £'000
Accelerated capital allowances	33	941
Short term timing differences	(3,947)	(2,438)
Pension provision	(151)	-
Losses	(14,110)	(13,570)
	(18,175)	(15,067)

21. MINORITY INTERESTS

The minority interests relate to the holding of ordinary shares in Johnson Controls Limited which as set out in note 13, is only 79% owned by the group.

22. CALLED UP SHARE CAPITAL

Authorised:

Number:	Class:	Nominal value:	2003 £000	2002 £000
50,000	'A' Preferred ordinary shares	£1	50	50
50,000	'B' Ordinary shares	£1	50	50
48,000,000	Redeemable preference shares	£1	48,000	48,000
			48,100	48,100
Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	2003 £000	2002 £000
2,000	'A' Preferred ordinary shares	£1	2	2
11,402	'B' Ordinary shares	£1	11	11
48,000,000	Redeemable preference shares	£1	48,000	48,000
			48,013	48,013

Voting rights

The holders of the 'A' shares shall be entitled to voting rights at meetings. The holders of the 'B' shares shall not be entitled to vote at a general meeting.

Dividend rights

The profits of the company which are available for distribution shall be applied equally in paying dividends to all shareholders. However, no dividend shall be declared or paid to the holders of the 'A' or the 'B' shares if a dividend has not also been declared or paid to the holders of the redeemable preference shares.

The preference shares carry a cumulative dividend right of 8% p.a., all rights to dividends accumulated to 30 September 2003 have been waived by the shareholders.

Johnson Controls (UK) Limited

Notes to the Financial Statements
for the year ended 30 September 2003

22. CALLED UP SHARE CAPITAL - continued

Rights to participate in a return of assets

Surplus assets shall be applied:

- i) first to the holders of the redeemable preference shares - subscription price per share paid including any premiums;
- ii) secondly, to the holders of the 'A' shares - subscription price per share paid including any premium;
- iii) next to the holders of the 'B' shares - subscription price per share paid including any premium;
- iv) the balance to be distributed amongst all shareholders, pari passu in proportion to the amounts held by them respectively.

Redemption rights

The company may at any time elect that all or any of the redeemable preference shares in issue be redeemed at par not less than 28 days nor more than 42 days after the date of notice.

Any holder of the redeemable preference shares may require the company to redeem all or any of the redeemable preference shares held by him not less than 28 days nor more than 42 days after the date of notice at par value.

23. RESERVES

Group

	Profit and loss account £000	Share premium £000	Total £000
At 1 October 2002	(64,906)	2,003	(62,903)
Loss for the year	(5,618)	-	(5,618)
At 30 September 2003	(70,524)	2,003	(68,521)

Company

	Profit and loss account £000	Share premium £000	Total £000
At 1 October 2002	(23,409)	2,003	(21,406)
Retained loss for the year	(1,675)	-	(1,675)
At 30 September 2003	(25,084)	2,003	(23,081)

Johnson Controls (UK) Limited

Notes to the Financial Statements
for the year ended 30 September 2003

24. PENSION COMMITMENTS: DEFINED BENEFIT SCHEMES

The group operates defined benefit pension schemes in each of its three principle trading subsidiaries, being Johnson Control Systems Limited, Johnson Controls Limited and Johnson Controls Automotive (UK) Limited.

The group has continued to account for pensions in accordance with SSAP 24. The Accounting Standards Board has recommended the deferral of the final implementation of FRS 17 "Retirement Benefits", beyond its original effective date of June 2003, pending detailed comparison with the compliance with international accounting standard, IAS 19. The FRS requires recognition of the value of the assets and liabilities arising from an employer's retirement benefit obligations, the operating costs of providing those benefits and the adequate disclosure of these items. However additional disclosures are required for the current period under the transitional rules of FRS17 and these have been made below where required.

Scheme operated by Johnson Control Systems Limited

Johnson Control Systems Limited operates a funded pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held in a separate trustee administered fund. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with Johnson Control Systems Limited.

The contributions are determined by an independent qualified actuary on the basis of triennial valuations using the current unit method. The most recent full actuarial valuation was as at 1 April 2002.

The assumptions which have the most significant effect on the results of the valuation were that the rate of interest would be 6% per annum pre and post retirement, that salary increases would be 4.5% per annum and that the rate of inflation would be 3% per annum.

The most recent full actuarial valuation showed that the market value of the scheme's assets was £22,889,000 and that the actuarial value of those assets represented 76% of the benefits that had accrued to members after allowing for expected future increases in earnings.

Contributions to the pension scheme are charged to the profit and loss account so as to spread the cost of premiums over the employees' working lives with the company. Surpluses or deficits experienced are amortised over a period of seventeen years being the estimated average remaining service lives of employees. The pension cost is assessed in accordance with the advice of a professionally qualified actuary.

The pension charge for the year in respect of the defined benefit scheme was £1,754,000 (2002: £1,169,000).

An accrual of £457,000 has been made at the balance sheet date and represents the excess of the accumulated pension cost over the amount funded. No liability was payable to the fund at the year end (2002: £142,000).

FRS 17 disclosures for the year to 30 September 2003:

The last full independent actuarial valuation of the scheme was undertaken as at 1 April 2002. The results of the valuation have been updated to 30 September 2003 by independent qualified actuaries.

The contributions made by the employer over the financial year have been £1,297,000 (2002 - £1,168,524), equivalent to 22.82% of pensionable pay up to 31 October 2002 and 16.8% up to 30 September 2003 (2002 - 11.58% up to 31 March 2002 and then 22.82% to 30 September 2002).

Johnson Controls (UK) Limited

**Notes to the Financial Statements
for the year ended 30 September 2003**

24. PENSION COMMITMENTS: DEFINED BENEFIT SCHEMES - continued

The main financial assumptions used in the valuation of the liabilities of the company scheme under FRS 17 are:

	2003	2002
	%pa	%pa
Rate of increase in salaries	3.70	3.30
Rate of increase in pensions in payment	3.00	3.00
Rate of increase in deferred pensions	2.70	2.30
Discount rate for scheme liabilities	5.30	5.10
Inflation	2.70	2.30

The assets in the scheme and the expected rate of return were:

	Expected rate of return 2003 % pa	Value 2003 £000	Expected rate of return 2002 %pa	Value 2002 £000
Equities	8.34	15,630	8.45	13,292
Bonds	4.64	6,322	4.40	4,454
Other	4.70	(82)		757
Total market value of assts		21,870		18,503
Present value of scheme liabilities		(34,932)		(34,425)
Deficit in scheme		(13,062)		(15,922)
Related deferred tax asset		3,919		4,777
Net pension deficit		(9,143)		(11,145)

Analysis of the amount that will be included within operating loss

	2003 £000	2002 £000
Current service cost	1,486	1,377
Employee contributions	(377)	(341)
Total operating charge	1,109	1,036

Analysis of the amount that will be included as other finance income

	2003 £000	2002 £000
Expected return on pension scheme assets	1,388	1,762
Interest on pension liabilities	(1,780)	(1,639)
	(392)	123

Johnson Controls (UK) Limited

**Notes to the Financial Statements
for the year ended 30 September 2003**

24. PENSION COMMITMENTS: DEFINED BENEFIT SCHEMES – continued

Analysis of amount that will be included within the statement of total recognised gains and losses

	2003 £000	2002 £000
Actual return less expected return on pension scheme assets	1,227	(3,995)
Experience gains and losses arising on scheme liabilities	1,667	(2,308)
Changes in assumptions underlying the present value of scheme liabilities	171	(2,703)
Actuarial gain/(loss)	3,065	(9,006)

Movement in deficit during the year

	2003 £000	2002 £000
Deficit in scheme at start of year	(15,922)	(6,963)
<i>Movement in year:</i>		
Current service cost	(1,486)	(1,377)
Contributions	1,673	1,301
Net return on assets	(392)	123
Actuarial gain/(loss)	3,065	(9,006)
Deficit in scheme at end of year	(13,062)	(15,922)

History of experience gains and losses

	2003	2002
<i>Difference between the expected and actual return on scheme assets:</i>		
amount (£000)	1,227	(3,995)
percentage of scheme assets	6%	21.59%
<i>Experience gains and losses on scheme liabilities:</i>		
amount (£000)	1,677	(2,308)
percentage of scheme assets	5%	6.70%
<i>Total amount recognised in statement of total recognised gains and losses:</i>		
amount (£000)	3,065	(9,006)
percentage of the present value of the scheme liabilities	9%	26.16%

Scheme operated by Johnson Controls Limited

Johnson Controls Limited established on 1 April 1995 a pension scheme for certain employees providing benefits based on final pensionable pay. The assets of the scheme are held in a Trust Fund separately from the assets of the group. Contributions are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with Johnson Controls Limited.

The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The last valuation was at 30 September 2002. The assumptions which have the most significant effect on the results of the valuation were that investment returns pre retirement would be 7% per annum and post retirement would be 5%, that salary increases would average 3.25% per annum and that future pensions would increase at the rate of 2.25% per annum. The valuation showed that the market value of the scheme's assets was £20,153,000 (2002: £20,974,000) and the actuarial value of those assets was sufficient to cover 65% of the benefits that had accrued to members.

Johnson Controls (UK) Limited

Notes to the Financial Statements
for the year ended 30 September 2003

24. PENSION COMMITMENTS: DEFINED BENEFIT SCHEMES - continued

The last actuarial valuation for the scheme assessed the contribution rate needed for future service from 30 September 2002. On the basis that members make contributions of 6.75% of pensionable salaries, the employer has agreed to make contributions at 22% of member's pensionable salaries. The pension charge for the year was £2,294,000 (2002: £1,118,000) and the creditor in respect of this at the balance sheet date was £420 (2002: £115,187). At 30 September 2003, the pension provision held in the balance sheet is £1,170,000 (2002: £nil)

FRS 17 disclosures for the year to 30 September 2003:

The pension scheme is a defined benefit arrangement. The last full funding valuation was carried out as at 30 September 2002. A qualified independent actuary has updated the results of that valuation to 30 September 2003 to obtain the figures in this disclosure note.

The main financial assumptions used in the valuation of the liabilities of the company scheme under FRS 17 are:

	2003 %pa	2002 %pa
Rate of increase in salaries	3.75	3.25
Rate of increase in pensions in payment	2.75	2.25
Rate of increase in deferred pensions	2.75	2.25
Discount rate for scheme liabilities	5.25	5.50
Inflation	2.75	2.25

The assets in the scheme and the expected rate of return were:

	Expected rate of return 2003 %pa	Value 2003 £000	Expected rate of return 2002 %pa	Value 2002 £000
Equities	8.00	16,452	8.50	14,197
Bonds	5.00	6,778	5.25	6,085
Other	5.00	534	-	-
Total market value of assets		23,764		20,282
Present value of scheme liabilities		(41,110)		(30,817)
Deficit in scheme		(17,346)		(10,535)
Related deferred tax asset		5,204		3,161
Net pension deficit		(12,142)		(7,374)

Analysis of the amount that would be included within operating profit

	2003 £000	2002 £000
Current service cost	893	855
Settlement gain	-	(78)
Total operating charge	893	777

Johnson Controls (UK) Limited

**Notes to the Financial Statements
for the year ended 30 September 2003**

24. PENSION COMMITMENTS: DEFINED BENEFIT SCHEMES - continued

Analysis of the amount that will be included as other finance income

	2003	2002
	£000	£000
Expected return on pension scheme assets	1,546	1,701
Interest on pension scheme liabilities	(1,707)	(1,656)
	(161)	45

Analysis of amount that will be included within the statement of total recognised gains and losses

	2003	2002
	£000	£000
Actual return less expected return on pension scheme assets	1,265	(4,633)
Experience gains and losses arising on scheme liabilities	(16)	109
Changes in assumptions underlying the present value of scheme liabilities	(8,130)	(1,634)
Actuarial (loss)	(6,881)	(6,158)

Movement in deficit during the year

	2003	2002
	£000	£000
Deficit in scheme at start of year	(10,535)	(4,763)
<i>Movement in year:</i>		
Current service cost	(893)	(855)
Contributions	1,124	1,118
Net return on assets	(161)	45
Actuarial loss	(6,881)	(6,158)
Gain on settlements and curtailments	-	78
Deficit in scheme at the end of the year	(17,346)	(10,535)

History of experience gains and losses

	2003	2002
<i>Difference between the expected and actual return on scheme assets:</i>		
amount (£000)	1,265	(4,633)
percentage of scheme assets	5%	22.84%
<i>Experience gains and losses on scheme liabilities:</i>		
amount (£000)	(16)	109
percentage of scheme assets	0%	0.35%
<i>Total amount recognised in statement of total recognised gains and losses:</i>		
amount (£000)	(6,881)	(6,158)
percentage of the present value of the scheme liabilities	17%	19.98%

Scheme operated by Johnson Controls Automotive (UK) Limited

Johnson Controls Automotive (UK) Limited operates the Johnson Controls Automotive (UK) Limited Final Salary Scheme which provides benefits based on final pensionable pay. Allowance has been made for the benefit obligations in respect of the Ikeda Hoover Limited pension plan as the employees of Ikeda Hoover were transferred with the business to Johnson Controls Automotive (UK) Limited. The Scheme is set up under Trust and the assets of the Scheme are held separately from those of Johnson Controls Automotive (UK) Limited.

Johnson Controls (UK) Limited
Notes to the Financial Statements
for the year ended 30 September 2003

24. PENSION COMMITMENTS: DEFINED BENEFIT SCHEMES - continued

The pension cost charged to the profit and loss account is calculated by an independent actuary in such a way as to spread the cost of pensions over the members' working lives within the Scheme.

The pension costs are based on the most recent actuarial valuation, which was completed with an effective date of 5 April 2003. The actuarial method used to calculate the pension cost was the projected unit method. The assumptions which have the most significant effect on the results of the valuation were that investment returns would be 6.5% per annum pre retirement and 4.5% per annum post retirement. The rate of earnings increase used was 4% per annum with 2.5% per annum used as the assumption for future increases in price inflation. The Scheme is funded using the same method and assumptions.

The pension charge in the profit and loss account for the year ending 30 September 2003 was £3,055,000 (2002: £1,643,800). This includes an item of £1,657,000 (2002: £646,200) to amortise the deficit of current assets relative to current liabilities. This amortisation is over a period of 15 years, representing the average remaining service lives of the pensioned employees.

The actuarial valuation at 5 April 2003, showed that the market value of the scheme's assets was £29,041,000 (2002: £14,995,333) and the actuarial value of those assets represented 65% of the liability for benefits under the valuation method, for service to the valuation date and based on salaries projected to retirement or earlier exit.

No improvements in benefits were made in the financial year. Company contributions to the Johnson Controls Automotive (UK) Limited Final Salary Pension Scheme remained at 7% of pensionable salaries until 16 July 2002 after which date they increased to a rate of 18.2% of pensionable salaries. Contributions to the Ikeda Hoover Limited Pension Plan remained at 9.5% of pensionable salaries.

FRS 17 disclosures for the year to 30 September 2003:

Johnson Controls Automotive (UK) Limited operates two defined benefit pension schemes in the UK – the Johnson Controls Automotive (UK) Limited Final Salary Pension Scheme, and the Ikeda Hoover Limited Pension Plan. Full actuarial valuations of both schemes were carried out as at 5 April 2003 and updated to 30 September 2003 by qualified independent actuaries.

The main financial assumptions used in the valuation of the liabilities of the company scheme under FRS 17 are:

	2003	2002
Rate of increase in salaries	4.20%	3.80%
Rate of increase in pensions in payment (subject to Limited Price Indexation)	2.70%	2.20%
Discount rate for scheme liabilities	5.30%	5.50%
Inflation assumption	2.70%	2.30%

Johnson Controls (UK) Limited

**Notes to the Financial Statements
for the year ended 30 September 2003**

24. PENSION COMMITMENTS: DEFINED BENEFIT SCHEMES - continued

The assets in the scheme and the expected rate of return were:

	Expected rate of return 2003 %pa	Value 2003 £000	Expected rate of return 2002 %pa	Value 2002 £000
Equities	6.00	23,865	7.00	18,783
Bonds	4.00	6,505	5.00	6,335
Other	2.75	268	4.00	91
Total market value of assets		30,638		25,209
Present value of scheme liabilities		(53,746)		(37,653)
Deficit in scheme		(23,108)		(12,444)
Related deferred tax asset		6,932		3,733
Net pension deficit		(16,176)		(8,711)

Analysis of the amount that will be included within operating profit

	2003 £000	2002 £000
Current service cost	1,495	1,044
Past service cost	1	-
Total operating charge	1,496	1,044

Analysis of the amount that will be included as other finance income

	2003 £000	2002 £000
Expected return on pension scheme assets	1,695	1,873
Interest on pension scheme liabilities	(2,117)	(1,788)
Net return	(422)	85

Analysis of amount that will be included within the statement of total recognised gains and losses

	2003 £000	2002 £000
Actual return less expected return on pension scheme assets	2,050	(5,428)
Experience gains and losses arising on scheme liabilities	(3,076)	(444)
Changes in assumptions underlying the present value of scheme liabilities	(9,217)	(5,182)
Actuarial loss	(10,243)	(11,054)

Johnson Controls (UK) Limited

**Notes to the Financial Statements
for the year ended 30 September 2003**

24. PENSION COMMITMENTS: DEFINED BENEFIT SCHEMES – continued

Movement in deficit during the year

	2003 £000	2002 £000
Deficit in scheme at start of year	(12,444)	(1,918)
<i>Movement in year:</i>		
Current service cost	(1,495)	(1,044)
Contributions	1,497	1,487
Past service costs	(1)	-
Net return on assets/(interest cost)	(422)	85
Actuarial loss	(10,243)	(11,054)
Deficit in scheme at end of year	(23,108)	(12,444)

History of experience gains and losses

	2003	2002
<i>Difference between the expected and actual return on scheme assets:</i>		
amount (£000)	2,050	(5,428)
percentage of scheme assets	6.70%	21.53%
<i>Experience gains and losses on scheme liabilities:</i>		
amount (£000)	(3,076)	(444)
percentage of the present value of the scheme liabilities	(5.70%)	1.18%
<i>Total amount recognised in statement of total recognised gains and losses:</i>		
amount (£000)	10,243	(11,054)
percentage of the present value of the scheme liabilities	(19.1%)	29.36%

If the total amounts relating to the above schemes of these principle trading subsidiaries had been recognised in the financial statements, the group's net liabilities and profit and loss reserve deficit at 30 September 2003 would be as follows:

	2003 £000	2002 £000
Net liabilities excluding pension deficit	(20,508)	(14,890)
Deficit in scheme	(53,516)	(38,901)
Related deferred tax asset	16,055	11,671
Net liabilities including pension deficit	(57,969)	(42,120)
Profit and loss reserve deficit excluding pension deficit	(70,524)	(64,906)
Deficit in scheme	(53,516)	(38,901)
Related deferred tax asset	16,055	11,671
Profit and loss reserve deficit including pension deficit	(107,985)	(92,136)

25. PENSION COMMITMENTS – DEFINED CONTRIBUTION SCHEMES

The group operates defined contribution schemes for the benefit of employees and directors. The assets of the schemes are administered by insurance companies and are held in funds independent from the assets of the group. The pension charge for the year in respect of the defined contribution schemes was £4,123,000 (2002: £3,577,153). An amount of £1,283 (2002: £266,000) in total was payable to the schemes at the balance sheet date.

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26. ULTIMATE PARENT COMPANY

The company's immediate parent company is Hoover Universal Inc., a company incorporated in the State of Michigan, United States of America.

The company's ultimate parent company and ultimate controlling entity is Johnson Controls Inc., a company incorporated in the State of Wisconsin, United States of America. Johnson Controls Inc. is the parent company of the smallest and largest group to consolidate these financial statements. Group financial statements can be obtained from Johnson Controls Inc. 5757 N Green Bay Avenue, PO Box 591, Milwaukee, WI 53201.

27. CONTINGENT LIABILITIES

The group has a number of performance and guarantee bonds held by National Westminster Bank plc. The total value of bonds held at 30 September 2003 was £6,664,924 (2002: £7,083,994). The potential liability for these bonds is included in the amount guaranteed by the ultimate parent company Johnson Controls Inc, to a maximum of £35,000,000 including bank overdrafts as shown in note 18.

The company has guaranteed the borrowings of certain other UK group companies under a cross composite guarantee, which is limited to £30,000,000.

28. RELATED PARTY DISCLOSURES

Included in creditors in respect of Ikeda Hoover Limited, was a balance of £7,080,000 (2002: £7,079,823), relating to the acquisition of the net assets of Ikeda Hoover Limited by Johnson Controls Automotive Limited in September 2001.

Included in creditors in respect of JRI Technologies Limited was a balance of £570,000 (2002: £2,237,606) relating to purchases of £4,008,044 (2002: £5,870,908) by the group.

Included in debtors in respect of JRI Technologies Limited, was a balance of £10,770,159 (2002: £9,863,362) relating to the amounts owed to Johnson Controls UK Ltd under a zero balance pooled bank agreement with National Westminster Bank plc. During the year, the group received interest from JRI Technologies Limited totalling £515,990 (2002: £422,018) on this balance.

29. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Group	2003	2002
	£000	£000
Loss for the financial year	(5,618)	(1,824)
Net increase of shareholders' (deficit)	(5,618)	(1,824)
Opening shareholders' (deficit)	(14,890)	(13,066)
Closing shareholders' deficit	(20,508)	(14,890)
Company	2003	2002
	£000	£000
Loss for the financial year	(1,675)	3,631
Net addition to shareholders' funds	(1,675)	3,631
Opening shareholders' funds	26,607	22,976
Closing shareholders' funds	24,932	26,607