

Registered Number 08993483

Johnson Controls Building Efficiency UK Limited
Annual report and financial statements
for the year ended 30 September 2022

Johnson Controls Building Efficiency UK Limited

Annual report and financial statements for the year ended 30 September 2022

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Johnson Controls Building Efficiency UK Limited

Strategic report

The directors present their Strategic report on the company, for the year ended 30 September 2022.

Principal activities of business

The company is a leading provider of equipment, controls and solutions to increase energy efficiency and lower operating costs for buildings, as well as industrial and commercial refrigeration solutions. It engages in the design, supply, installation and commissioning of integrated heating, ventilating and air conditioning systems as well as building management systems, controls, security, mechanical equipment and industrial refrigeration. It also provides technical services and energy management consulting, alongside a skilled maintenance and servicing organisation.

Business review

The results for the financial year and the financial position of the company are shown in the accompanying financial statements. The reported loss before taxation for the financial year ended 30 September 2022 was £6.0 million (2021: profit £112.7 million). Gross margin achieved in the year has remained strong at 27.4% although this is a small reduction compared to the prior year where a gross margin of 29.8% was achieved. Turnover has increased by £26.6 million year over year and this has been achieved due to growth obtained in the company's installation revenues. This has been driven both organically and through acquisitions as detailed below. The revenues generated by the parts & product sales business has seen a drop compared to the prior year as seen in note 5. In addition, as part of a restructuring during the previous year, the company received a £115 million dividend from one of its subsidiaries. There was no equivalent income in the current year.

Net assets as at 30 September 2022 were £268.9 million (2021: £260.6 million). This increase was driven as follows: The annual actuarial valuation of the defined benefit pension scheme indicated a gain on the scheme of £14.5 million (2021: £16.5 million). Following a review of both the goodwill and the investments management took the decision to process an impairment of 6.7 million. The combination of the impairment and the actuarial gain has led to the increase in net assets seen during the year.

On 1 May 2022, the company acquired the trade and assets of two of its direct subsidiaries Cool Solutions Refrigeration Limited and Cool Solutions (Midlands) Limited for consideration of £4.6 million and £1.4 million respectively.

On 3 May 2022 the company purchased 100% of the issued share capital of Asset Plus Energy Performance Limited for consideration of £44.99m. Of this cash was paid of £38.75m and the remaining balance of £6.24m is to be paid in instalments in May 2024 and May 2025. This can be seen in creditors falling due after more than one year (note 18).

On 1 July 2022, the company acquired the trade and assets of two fellow group undertakings Fisher Group Limited and Fisher Group Service Limited for consideration of £895k and 160k respectively.

Business environment and strategy

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The market continues to be highly competitive in all areas of operation of the company. The company will continue to focus on key account management of its customers, enabling it to retain contracts and secure additional project work. The company is now using condition-based maintenance techniques within the existing service schedule to capture historical connected data that will focus service reporting in the future and help to prolong asset life, reduce premature failure and increase equipment uptime. The company will also leverage the increased investment by its parent entities in new and enhanced product lines, as well as continue to use its knowledge, products, expertise and solutions to expand its installation base.

Key performance indicators

The company's key performance indicators during the year were:

	2022	2021
Turnover	£111.56m	£85.0m
Gross profit percentage	27%	28%
Operating loss	(£1.4m)	(£1.9m)
Parts inventory turnover days	134 days	120 days
Total equity	£268.92m	£260.6m

Principal risks and uncertainties

Any of the following could materially and adversely impact the results of operations of our business: delays or difficulties in new product development; the introduction of similar or superior technologies; financial instability or market declines of our major customers or component suppliers; a significant decline in the construction of new commercial buildings requiring interior control systems; changes in energy costs or governmental regulations that would decrease the incentive for customers to update or improve their interior control systems and increased energy efficiency legislation requirements. These issues are subject to regular review by the directors.

Furthermore, the business is directly impacted by the effects of climate change. The directors recognise that timely adoption of comprehensive energy and climate legislation will reduce economic and regulatory uncertainty and allow the company to better manage both risks and opportunities related to climate change. These uncertainties include emission reduction requirements, energy price volatility, energy-intensive materials pricing, and the impact of building efficiency codes, standards and incentives.

The company requires risk management and operational policies and procedures to be implemented in all areas of the business. Furthermore, there is a robust supervision structure which allows management to account for the delivery of the company's contracts and to oversee relationships with its key stakeholders.

Streamlined energy and carbon reporting

Global energy consumption and greenhouse gas emissions for the period from 1 October 2021 to 30 September 2022 is as follows:

	Current reporting Year 2021-2022	Prior reporting Year 2020-2021
	UK and Offshore	
Energy consumption used to calculate emissions: /kWh	4,805,065	5,081,826
Emissions from combustion of gas tCO ₂ e (Scope 1)	75	85
Emissions from combustion of fuel for transport purposes (Scope 1)	1,100	1,126

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Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3)	**	
Emissions from purchased electricity (Scope 2, location-based)	81	91
Total gross CO2e based on above	1,256	1,302
Intensity ratio: tCO2e gross figure based from mandatory fields above	1.54	1.6

**Emissions from business travel in rental cars or employee-owned vehicles where the company is responsible for purchasing fuel are minimal (Scope 3).

Methodology

Johnson Controls Building Efficiency UK Limited is required to report its global and UK energy use and carbon emissions in accordance with the Companies (Directors' report) and limited liability partnerships (energy and carbon report) regulations 2018. The data detailed in these tables represent emissions and energy use for which the company is responsible. To calculate the emissions, fuel and electricity emissions are calculated based on invoice data and estimation. For significant energy users (manufacturing), energy invoices are used to calculate energy use. For office spaces, an estimate utilizing floor space and energy density are used to calculate fuel and electricity consumption. Vehicle fleet energy and emissions are calculated based on fuel spend reports. Emissions are calculated based on: greenhouse gas reporting conversion factors 2020; Department for Business, Energy & Industrial Strategy and Department for Environment Food & Rural Affairs.

Energy efficiency

We are continuously seeking to improve operational efficiency. Johnson Controls group is committed to identifying and prioritising environmental elements arising from our business activities, products and services. The results of the energy assessments conducted in accordance with the Energy Savings Opportunity Scheme (ESOS) and internal energy hunts have been utilised to determine appropriate actions necessary to reduce the impact of our activities on the environment.

To further reflect this mindset, in January 2021, we announced ambitious new sustainability commitments that outline our priority to make positive changes in reducing our company's environmental footprint. Building on our history of sustainability leadership, we committed to achieving net zero carbon emissions before 2040 and announced science-based targets for 2030. We set a goal to double our customers' emission reductions through implementation of our OpenBlue digitally enabled solutions. And we are elevating sustainability as a key performance metric for preferred suppliers while also launching a supplier cohort training initiative to cut supplier emissions. In FY20, we launched our OpenBlue digital platform for optimizing building sustainability that will be central to fulfilling these goals.

Environmental sustainability commitments:

- Set science-based targets consistent with the most ambitious 1.5°C Intergovernmental Panel on Climate Change scenario
- Reduce Johnson Controls absolute operational emissions by 55 percent and reduce absolute customers' emissions by 16 percent before 2030
- Achieve net-zero carbon emissions before 2040, in line with the United Nations Framework Convention on Climate Change Race to Zero and Business Ambition for 1.5°C criteria
- Invest 75 percent of new product development R&D in climate-related innovation to develop sustainable products and services
- Achieve 100 percent renewable electricity usage globally by 2040

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The Sustainability Leadership Committee provides regular updates to our Executive Committee and our board of directors. It is chaired by our Chief Sustainability Officer and its members are senior leaders from across our business, functions and regions. It is charged with ensuring we are leaders in all measures of sustainability, embedding sustainability into our culture and operations across the enterprise, building sustainability metrics into employee performance goals, and launching working groups under the Global Sustainability Council (GSC). The GSC and Global Sustainability Team play the roles of connector and coordinator, ensuring streamlined engagement across diverse business functions to deliver on the enterprise sustainability strategy. The GSC was established in 2009 to provide a structure for enterprise-wide sustainability management. The working groups are composed of small teams and are designed to address specific sustainability-related topics.

Nearly a third of our greenhouse gas emissions come from our vehicle fleet. We have a specific vehicle emissions reduction workgroup at a JCI group level to analyse emissions data and ensure we achieve emissions reductions throughout our fleet. We annually analyse our transportation supply chain to improve cost structure and reduce energy use. Over time, we are systematically changing our fleet vehicles, utilizing higher fuel economy and electric vehicles where appropriate. We also optimize our logistics and our packaging in order to decrease weight and increase load factors and to include the use of other higher miles per gallon vans and trucks, telematics, and implementing a policy which prohibits speeding and encourages fuel-efficient driving techniques.

Since October 2020, electric vehicles (EV) have been offered to employees as a choice alongside internal combustion engine (ICE) vehicles throughout our company car scheme in the UK and the 6 other most EV ready countries in Europe. The policy was revised to incorporate EVs, advising drivers to consider their journey profiles and consider their home charging capabilities prior to deciding to take an EV as a company vehicle, with the range of manufacturers to choose from increased for EV's ensuring a wider choice for our drivers. The personal benefit in kind taxation benefits in the UK if taking an EV over an ICE car are considerable which when coupled with our policy changes have seen an EV take up rate of over 50% for renewal orders since October 2020.

Section 172(1) Statement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing this section 172 requires directors to have regard to, amongst other matters, the:

- likely consequences of any decisions in the long-term;
- interests of the company's employees;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and environment;
- desirability of the company maintaining a reputation for high standards of business conduct; and
- need to act fairly as between members of the company.

In discharging our section 172 duties, we have regard to the matters set out above. In addition, we also have regard to other factors which we consider relevant to the decision being made. Those factors, for example, include our relationship with our key stakeholders and society. By considering the company's purpose, vision and values together with its strategic priorities and having a process in place for decision making, we aim to make sure that our decisions are consistent and predictable.

Meetings are held periodically where the directors consider the company's activities and make decisions. As a part of those meetings, the directors receive information in a range of different formats to ensure that they have regard to section 172 matters when making relevant decisions.

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The company's key stakeholders are its workforce, customers, suppliers, the local communities in which it operates, regulators, Government agencies, and non-governmental organisations. The views of and the impact of the company's activities on those stakeholders are an important consideration for the directors when making relevant decisions. The size and spread of both the company's stakeholders and the company means that generally our stakeholder engagement takes place at an operational and JCI group level. We find that as well as being a more efficient and effective approach, this also helps us achieve a greater positive impact on environmental, social and other issues than by working alone as an individual company. For details of the engagement that takes place with the Group's stakeholders so as to encourage the directors to understand the issues to which they must have regard, please see pages 11 to 25 of the non-financial disclosure report 2022 within JCI Group's 2022 Annual Reporting which is publicly available on our website at Annual Meeting Materials | Johnson Controls Inc.

At a company level, there are quarterly calls for all senior staff across the business ('all-hands calls') in which business development, corporate acquisitions, employee health & safety and other pertinent issues are discussed. Weekly emails are sent to all staff in respect of corporate development and performance but with a specific focus on sustainability. Periodic emails are also sent out to encourage staff to consider their own mental health, and access available resources should these be required.

The company continuously innovates to make its products more eco-friendly, liaising with customers to ensure their needs are met in a sustainable yet profitable way. The company undertakes pre-qualification questionnaires with its suppliers to ensure that high and sustainable standards are maintained throughout all lines of business.

We set out below some examples of how we have had regard to the matters set out in section 172(1)(a)-(f) when discharging our section 172 duty and the effect of that on decisions taken by us:

- The company ensured that it was following the various targets that JCI Group had fixed in terms of sustainable development, and the company was notably incentivised to do so via the implementation of sustainable development factors (such as vehicle fuel consumption reduction, waste management, health & safety, sustainability evaluation of suppliers) in the calculation of the annual bonuses.
- Audits of ISO 14001 Environmental Management System and ISO 50001 Energy Management system were undertaken on JCI Group.
- Our environmental and energy systems provide assurance to company management and employees, as well as external stakeholders, that our environmental impacts are being measured and improved upon. We have been able to retain these certifications, notably thanks to everyone's co-operation and support.
- The Johnson Controls Building Efficiency UK Limited board considered and agreed upon the implementation of mental health and well-being programmes. The Board's decision-making process included discussions in relation to protecting the mental health of its workforce and reducing absence rates. The Board concluded that ongoing investment in the workforce would help deliver long-term success to the company.

On behalf of the board

J P Earnshaw
Director
Date: 25.10.2023

Johnson Controls Building Efficiency UK Limited

Directors' report

The directors present their report and the audited financial statements of the company for the year ended 30 September 2022.

Future developments

The future developments of the company are noted in the Strategic report.

Post balance sheet events

Subsequent to the year end, ELRAC Limited was dissolved on 11 October 2022.

Subsequent to the year ended 30 September 2022, Johnson Controls Building Efficiency UK Limited was informed by the parent entity, Johnson Controls International plc, that the parent entity has experienced disruptions in portions of its internal information technology infrastructure and applications (IT infrastructure) resulting from a cybersecurity incident and has promptly began an investigation with assistance from leading external cybersecurity experts. The parent entity is assessing what information was impacted and is executing its incident management and protection plan, including implementing remediation measures to mitigate the impact of the incident, and will continue taking additional steps as appropriate.

The Company's IT systems and infrastructure is part of the aforesaid IT infrastructure. Management has assessed that to date, many of the applications used by the Company are largely unaffected and remain operational. The Company has implemented workarounds for certain operations to mitigate disruptions and continues servicing its customers. While the detailed investigation as regards the incident is yet to be concluded by the parent entity, based on the preliminary assessment and considering the workarounds implemented, the management does not expect the incident reported herein to have any significant impact on the operations and the aforesaid financial statements of the Johnson Controls Building Efficiency UK Limited.

Dividends

The directors do not recommend payment of a dividend (2021: nil).

Going concern

As set out in the Strategic report on page 1, the company made a loss before tax of £6.0 million (2021: profit 112.70 million) and has net assets of £268.9 million (2021: £260.60 million). After making enquires, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Financial risk management objectives and policies

The company's operations expose it to a variety of financial risks that include the effects of credit risk, exchange rate risk, price risk and liquidity and interest rate risk.

Credit risk

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The company's policy is that the credit-worthiness of any prospective client, contractor, subcontractor, vendor, joint venture partner or any entity engaging in an economic transaction with the company must be evaluated to ascertain whether it has the financial capacity to enter into and perform its obligations under such transactions. This process is undertaken to ensure from a financial standpoint that any third party has the financial stability and strength necessary to fulfil its commitments to the company. The extent of the credit evaluation must be commensurate with the level of risk associated with the inability of the counterparty to perform under the contract.

The company's policy is to use financial institutions authorised by Johnson Controls International plc who actively manage the global banking facilities. All cash held on deposit is pooled at a European level to mitigate risk.

Exchange rate risk

Potential exposure to currency exchange rate fluctuations is managed internally within the Group treasury function. The Group enter into forward exchange contracts on behalf of the company to the value of its future multi currency cash flows. Consequently exchange rate risk is not significant.

Price risk

The directors recognise the price risk associated with the Building Efficiency business, which engages in engineering, developing, manufacturing and installing building products and systems, including HVAC equipment, HVAC controls, energy-management systems and security systems is subject to market forces and will impact the prices for product and project management services. To help minimise this risk, prices for large contracts are set on a contract by contract basis. Prices on multi-year contracts are reviewed on an annual basis where possible.

Liquidity and interest rate risk

Cash balances held with external institutions form part of the Johnson Controls International plc group global cash pool arrangement. If company funding is required, this is achieved by either an internal loan from a Johnson Controls International plc group company or through cash pooling arrangements. As a result, the interest rate risk is mitigated as there is no external funding requirement.

All group risk is closely managed by the corporate risk management team, which is controlled by the ultimate parent company Johnson Controls International plc.

Environmental, health and safety matters

Johnson Controls International plc is a global market leader and therefore has adopted a uniform approach to managing Environmental, Health and Safety ("EHS") matters by following the principles and guidance contained in both international standards ISO 14001 and OHSAS 18001. All parts of the corporation are expected to demonstrate that the requirements of these two key standards are covered in their country based EHS management system.

The organisation has clear management and functional lines with detailed responsibilities at all levels, which ensure hazards and risks are properly identified and controlled through effective management processes and performance related objectives and targets.

Employment policies

Johnson Controls Building Efficiency UK Limited

It is the policy of the company that there should be no unfair discrimination in considering applications for employment, based on equal opportunities for all, irrespective of sex, race, colour, disability or marital status. The company gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the company. If members of staff become disabled the company continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

The company systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the company is encouraged, achieving a common awareness on the part of all employees of the financial and economic factors affecting the group. The company encourages the involvement of employees by means of an employee share purchase scheme for shares in Johnson Controls International plc, regular employee briefings and regular awareness days on different topics for company specific matters.

Directors

The following directors served during the year and up to the date of signing this report, unless otherwise stated:

M Anderton (appointed 9 November 2022)
M Ayre (resigned 18 August 2023)
J P Earnshaw
A Ellis (resigned 1 October 2022)
R H Jones (resigned 1 October 2022)
R Lek (appointed 9 November 2022 and resigned 1 March 2023)

Directors' indemnities

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The group also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its directors.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland" and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and

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- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are 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 are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006.

Directors' confirmations

In the case of each director in office at the date the Directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the next Directors' Board Meeting.

On behalf of the Board

J P Earnshaw
Director
Date: 25.10.2023

Johnson Controls Building Efficiency UK Limited

Independent auditors' report to the members of Johnson Controls

Building Efficiency UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, Johnson Controls Building Efficiency UK Limited's financial statements:

- a. give a true and fair view of the state of the company's affairs as at 30 September 2022 and of its profit for the year then ended;
- b. have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- c. have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements for the year ended 30 September 2022 (the "Annual Report"), which comprise: the Statement of financial position as at 30 September 2022; Statement of comprehensive income for the year ended 30 September 2022; Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- a. the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- b. the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

Independent auditors' report to the members of Johnson Controls Building Efficiency UK Limited (cont'd)

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In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 30 September 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Independent auditors' report to the members of Johnson Controls Building Efficiency UK Limited (cont'd)
Use of this report

Johnson Controls Building Efficiency UK Limited

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- a. we have not received all the information and explanations we require for our audit; or
- b. adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- c. certain disclosures of directors' remuneration specified by law are not made; or
- d. the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

John Daly (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Auditors
Cork
Date: 25.10.2023

Statement of comprehensive income for the year ended 30 September 2022

	Note	2022 £'000	2021 £'000
Turnover	5	111,557	85,000
Cost of sales		(80,991)	(60,869)
Gross profit		30,566	24,131
Distribution costs		(7,924)	(6,999)
Administrative expenses		(24,038)	(19,071)
Operating loss	6	(1,396)	(1,939)
Income from fixed asset investments		2,380	115,000
Interest receivable and similar income	7	631	9
Interest payable and similar expenses	8	(884)	(367)
(Loss) / Profit before taxation		(6,005)	112,703
Tax (charge) / credit on profit / (loss)	9	(201)	—
(Loss) / Profit for the financial year		(6,206)	112,703
Re-measurement of net defined benefit obligation	,23	14,521	16,509
Total comprehensive income for the year		8,315	129,212

All amounts relate to continuing operations.

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Statement of financial position as at 30 September 2022

	Note	2022 £'000	2021 £'000
Fixed assets			
Intangible assets	11	12,542	11,670
Tangible assets	12	686	428
Investments	13	232,818	195,848
		246,046	207,946
Current assets			
Inventories	14	4,787	4,283
Debtors - amount falling due within one year	15	75,176	45,211
		86,621	122,891
Creditors - amounts falling due within one year	16	(89,671)	(86,815)
Net current (liabilities) / assets		(3,050)	36,076
Total assets less current liabilities		242,996	244,022
Creditors - amount falling due after more than one year	17	(6,240)	(550)
Provisions for liabilities	18	(624)	(796)
Pension liability	23	32,783	17,924
Net assets		268,915	260,600
Capital and reserves			
Called up share capital	20	197,392	197,392
Retained earnings		49,575	41,260
Total equity		268,915	260,600

The notes on pages 16 to 42 are an integral part of these financial statements.

The financial statements on pages 13 to 42 were approved by the Board of directors on 25 October 2023 and were signed on its behalf by:

J P Earnshaw

Director

Johnson Controls Building Efficiency UK Limited

Registered Number 08993483

Johnson Controls Building Efficiency UK Limited

Statement of changes in equity for the year ended 30 September 2022

	Called up share capital	Retained earnings	Total equity
Note	£'000	£'000	£'000
Balance as at 1 October 2020 as previously reported	100,469	-87,852	12,446
Profit for the financial year	—	112,703	112,703
Profit for the financial year	—	112,703	112,703
Reversal of net defined benefit obligation	—	16,509	16,509
Profit for the financial year and total comprehensive income	—	129,212	129,212
Balance as at 30 September 2021	197,392	41,260	260,600
Profit for the financial year	—	-6,206	-6,206
Reversal of net defined benefit obligation	—	14,521	14,521
Profit for the financial year and total comprehensive income	—	8,315	8,315
Balance as at 30 September 2022	197,392	49,575	258,915

During 2020 the company issued share capital above par to fund investment acquisition activities undertaken, thereby generating a share premium account.

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Notes to the financial statements for the year ended 30 September 2022

1 General information

Johnson Controls Building Efficiency UK Limited is a private company limited by shares, domiciled and incorporated in the United Kingdom under the Companies Act 2006. The address of its registered office is 9/10 The Briars, Waterberry Drive, Waterloooville England, PO7 7YH.

The company is a leading provider of equipment, controls and solutions to increase energy efficiency and lower operating costs for buildings, as well as industrial and commercial refrigeration solutions.

2 Statement of compliance

These financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102) and in accordance with the Companies Act 2006.

3 Summary of significant accounting policies

The principal accounting policies, which have been applied in the preparation of these financial statements are set out below. These policies have been consistently applied to both the years/periods presented, unless otherwise stated. The company has applied FRS 102 in these financial statements.

Basis of preparation

These financial statements are prepared on the going concern basis, under the historical cost convention as modified by the recognition of certain financial assets and liabilities at fair value.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant in these financial statements are disclosed in note 4.

Going concern

As set out in the Strategic report on page 1, the company made a loss before tax of £6.0 million (2021: profit 112.70 million) and has net assets of £268.9 million (2021: £260.60 million). After making enquires, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Johnson Controls Building Efficiency UK Limited

Notes to the financial statements for the year ended 30 September 2022 (cont'd)

Reduced disclosures

In accordance with FRS 102, the company has taken advantage of the exemptions from the following disclosure requirements on the basis that the information is provided in the consolidated financial statements of Johnson Controls International plc, which is registered in Cork Ireland. Johnson Controls International plc prepares consolidated financial statements which are publicly available and can be obtained from the address given in note 25.

Section 4 'Statement of Financial Position'

Reconciliation of the opening and closing number of shares;

Section 7 'Statement of Cash Flows'

Presentation of a Statement of Cash Flow and related notes and disclosures;

Section 11 'Basic Financial Instruments' & Section 12 'Other Financial Instrument Issues'

Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in the statement of comprehensive income;

Section 26 'Share-based payments'

Disclosures are included in the consolidated financial statements of the group;

Section 33 'Related Party Disclosures'

Paragraphs 33.7 and 33.1A, Disclosure of compensation for key management personnel and related party transactions.

Group financial statements

The company is exempt from the requirement to prepare and deliver consolidated financial statements under the provisions of Section 401 of the Companies Act 2006 as it is a wholly owned subsidiary undertaking of Johnson Controls International plc, which is registered in Cork, Ireland and which itself prepares consolidated financial statements which are publicly available and can be obtained from the address given in note 26. Accordingly consolidated financial statements have not been prepared and the financial information presented for the current year is for the company as an individual undertaking.

Revenue recognition

Turnover represents the amount receivable for goods supplied or services rendered, net of discounts and value added taxes.

Goods for resale

Revenue is recognised on delivery of the goods.

Service contracts

Johnson Controls Building Efficiency UK Limited

Notes to the financial statements for the year ended 30 September 2022 (cont'd)

Service revenue is recognised on a straight line basis over the period of the contract.

Planned Service Agreements

Service revenue is recognised on a straight line basis over the period of the contract and costs are expensed as they are incurred.

Installation contracts

The company recognizes revenue on long term installation contracts (those lasting longer than 60 days) under the percentage-of-completion method of accounting where revenue is recognized with reference to the stage of completion of the contract using the proportion that costs incurred for work performed to date bear to the estimated total costs.

Revenue is only recognized to the extent that costs incurred are expected to be recoverable. Turnover represents costs incurred plus the directors' best estimate of profits attributable to the work performed to date. For this purpose the directors' estimate of attributable profits will include a proportion of the total profits anticipated to be made on the contract, to the extent that the outcome of the transaction can be estimated reliably.

The excess of payments received over amounts recorded as turnover is classified under creditors due within one year as deferred income. Amounts recoverable on contracts, being the amount by which recorded turnover is in excess of payments on account, is classified within debtors.

When the company becomes aware that the costs of meeting a contract will exceed any income which will flow to the company from the contract, the full loss is provided for in the Statement of financial position, with a resulting charge to the Statement of comprehensive income in the period it is recognised

Repair / call out revenue

The company recognises revenue on the labour and material elements of these jobs as the costs are incurred using the average historic gross margin achieved on this revenue stream in the previous quarter. Although the gross margin on each job may be different they are not too dissimilar so as to materially impact the revenue recognised. Any true up between the estimated margin and the actual margin achieved is recognised upon completion of the job and customer invoicing.

Multiple deliverable contracts

Where multiple deliverables are involved in a contract, for example, deliverables such as equipment, equipment components, installation, commissioning, extended warranty, service and maintenance or other tangible deliverables and services, the contract is assessed from the perspective of the customer. If the contract is perceived to contain a number of deliverables, the contract price is allocated to each deliverable based on the fair value of each individual element and revenue recognized on each component in accordance with the above.

Functional and presentational currency

The company's functional and presentational currency is the pound sterling.

Foreign currencies

Transactions in currencies other than the functional currency (foreign currencies) are initially recorded at the exchange rate prevailing on the date of the transaction.

Johnson Controls Building Efficiency UK Limited

Notes to the financial statements for the year ended 30 September 2022 (cont'd)

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

Taxation

The tax charge represents the sum of the current tax charge and deferred tax charge.

Current tax

Current tax is the amount of income tax payable in respect of the taxable profits for the year or prior years at the standard effective rate of corporation tax in the UK.

Deferred tax

Taxable profits differ from comprehensive income in that, it excludes items of income or expense that are taxable or deductible in other periods. Tax deferred or accelerated as a result of timing differences between the treatment of certain items for taxation and for accounting purposes is provided in full with certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured at the average tax rates that are expected to apply in the periods which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the date of the Statement of financial position. Deferred tax is measured on an undiscounted basis.

Intangible assets

Goodwill

The directors' best estimate of the useful economic life of goodwill is over 10 years, however, the directors have been unable to reliably estimate the exact useful economic life of the goodwill that arose upon acquisition of the Building Efficiency trade, assets and liabilities of Johnson Controls Limited (now CBRE GWS Limited). In prior years, it was therefore amortised on a straight-line basis over 10 years, the maximum permitted period allowed by FRS 102 (as amended by SI 2017/980). Due to the full impairment which was accounted for in prior years no amortisation has been charged for the year ended 30 September 2022 nor will any be charged in the future on this element of goodwill. All other goodwill is amortised over 10 years.

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's net realisable value and its value in use.

Computer software

Computer software is stated at cost, which is the original purchase price plus incidental expenses, less accumulated amortisation. Amortisation is calculated to write off the cost, less estimated residual value, of each asset evenly over a period of 3 years.

Johnson Controls Building Efficiency UK Limited

Notes to the financial statements for the year ended 30 September 2022 (cont'd)

Tangible assets and depreciation

Tangible assets are stated at cost, which is the original purchase price plus incidental expenses, less accumulated depreciation. Depreciation is calculated to write off the cost, less estimated residual value of each asset evenly over its expected useful economic life, as follows:

Asset class	Amortisation method and rate
Leasehold improvements	remaining life of lease
Fixtures, fittings, tools and equipment	2-10 years
Plant and machinery	2-10 years

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Assets under construction are stated at cost and not depreciated until they are brought into service.

Investments

Fixed assets investments are stated at cost plus incidental expenses less provisions for impairment in value. The company reviews the carrying value of investments when there has been an indication of potential impairment. If it is determined that the carrying value exceeds the recoverable amount, excess is written off to the Statement of comprehensive income. The calculations for determining the carrying value of investments involves the use of estimates including projected future cash flows and other future events.

Income from fixed asset investments is recognised when distributions are declared from the company's investment. This is measured at the value resolved to be received.

Operating leases

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. There are no holiday periods on these operating leases. Payments under operating leases are charged to the Statement of comprehensive income on a straight line basis over the period of the lease.

Inventories and work in progress

Finished goods for sale and components available for contract use are stated at cost or, if lower, at net realisable value. Cost is determined on the standard costing method. Cost includes materials, direct labour and an attributable proportion of overheads based on normal levels of activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

The carrying value of work in progress equates to the revenue recognised but not yet invoiced on installation contracts which are accounted for on a percentage of completion basis.

At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, it is reduced to its estimated selling price less costs to complete and sell and an impairment charge is recognised in the Statement of comprehensive income. Where an impairment charge is reversed, up to the original impairment loss, a credit is recognised in the Statement of comprehensive income.

Johnson Controls Building Efficiency UK Limited

Notes to the financial statements for the year ended 30 September 2022 (cont'd)

Bank overdrafts

Bank overdrafts are shown in creditors due within one year and include cash held on deposit with banks and bank overdrafts. Both cash held on deposit and bank overdrafts are with one external bank and so these balances are offset. Where the overdrafts exceed the cash held on deposit the net balance is shown as bank overdrafts. When the deposits exceed the overdrafts the net balance is shown as cash and cash equivalents in current assets.

Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

An onerous contract provision is recorded where there is an expectation that a contract will be loss-making. The magnitude of any provision is determined by reference to the least net cost of exiting from the contract.

A warranty provision relates to obligations under sales warranties, the timings of which are uncertain. Warranties are typically for a length of twelve months from commissioning date and are calculated with reference to the experience rate in the previous twelve months.

Financial instruments

Financial assets

Basic financial assets, including trade debtors and other receivables, amounts recoverable on contracts and amounts owed by group undertakings are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest rate method and are assessed annually for objective evidence of impairment. Any impairment loss or reversal of an impairment loss is recognised in the Statement of comprehensive income.

Financial liabilities

Basic financial liabilities, including trade creditors and other creditors, bank overdrafts and amounts owed to group undertakings, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Such debt instruments are subsequently carried at amortised cost using the effective interest rate method.

Trade creditors are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classed as current liabilities if payment is due within one year or less.

Forward exchange contracts

Johnson Controls Building Efficiency UK Limited

Notes to the financial statements for the year ended 30 September 2022 (cont'd)

Forward exchange contracts are not basic financial instruments. They are initially recognised at fair value on the date the contract is entered into and are then subsequently re-measured at their fair value. Changes in the fair value of the contracts are recognised in the Statement of comprehensive income in administrative expenses.

Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Employee benefits

The company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements, defined contribution and defined benefit pension plans.

Annual bonus plan

The company operates an annual bonus plan for employees. An expense is recognised in the Statement of comprehensive income in the financial year for which the bonus is payable, when a reliable estimate of the obligation can be made.

Defined contribution pension plan

The company operates a defined contribution pension scheme for the benefit of its employees, the assets of which are held separately from those of the company in independently administered funds. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the Statement of financial position.

Defined benefit pension plan

The company operates defined benefit pension plans for certain employees. On 31 March 2011, the defined benefit pension scheme was closed to the future accrual of benefits.

The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to calculate the obligation. The liability recognised in the Statement of financial position is the present value of the defined benefit pension plan liability less the fair value of the plan assets at the reporting date.

The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds of equivalent terms and currency to the liability ("discount rate").

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are credited or charged to other comprehensive income. The net interest cost is calculated by applying a single discount rate to the net balance of the defined benefit liability or asset. This cost is recognised in the Statement of comprehensive income in administrative expenses.

Johnson Controls Building Efficiency UK Limited

Notes to the financial statements for the year ended 30 September 2022 (cont'd)

The cost of the defined benefit plan, recognized in the Statement of comprehensive income as employee costs, except where included in the cost of an asset, comprises:

- a. the increase in pension benefit liability arising from employee service during the period; and
- b. the cost of plan introductions, benefit changes, curtailments and settlements.

Long term incentive plan

Johnson Controls International plc grants awards of stock appreciation rights (SARs) and restricted stock units (RSUs), to senior employees of Johnson Controls Building Efficiency UK Limited which are both settled by way of cash payments. The plan liabilities are measured over the period the employee provides their services to the point of vesting and is charged to operating profit. The SARs options are valued using a Black-Scholes option-pricing model and the RSUs are valued at fair market value.

Government grants

Government grants are recognised when it is reasonable to expect they will be received and that all related conditions are met. They are recognised in the Statement of comprehensive income in the periods in which the related costs are incurred.

Related party transactions

The company discloses transactions with related parties which are not wholly owned within the same group. It does not disclose transactions with members of the same group that are wholly owned.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The directors do not consider there to be any critical accounting judgements.

Johnson Controls Building Efficiency UK Limited

Notes to the financial statements for the year ended 30 September 2022 (cont'd)

4 Critical accounting judgements and estimation uncertainty

Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have significant risk of causing a material adjustment to the carrying value of assets and liabilities with the next financial year are addressed below:

Defined benefit pension scheme

The company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depends on a number of factors including life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these figures determining the net pension obligation in the Statement of financial position. The assumptions reflect the historical experience and current trends.

See note 23 for disclosures relating to the pension scheme.

Estimation of costs to complete

Under the percentage-of-completion method of accounting, revenue is recognized with reference to the stage of completion of the contract using the proportion that costs incurred for work on agreed total contract values (excluding non-agreed scope or overage amounts) performed to date bear to the estimated total costs. The revenue which is recognized under the percentage-of-completion method of accounting is aligned to the total contract value of the work to be completed as agreed with the customer. The total estimated costs to complete are calculated using subcontractor quotes and estimated hours to complete. These estimates are updated at least quarterly and have a historical record of being reliable in relation to the final outcome.

Impairment of fixed asset investments

As per the accounting policy fixed asset investments are reviewed for indicators of impairment. The value-in-use (VIU) of relevant groups of income generating units (IGUs) for impairment testing purposes is determined using current market values. These calculations involve the use of estimates including projected future cashflows and other future events.

Goodwill useful economic life and impairment review

Goodwill is reviewed for impairment in line with the accounting policy for goodwill when factors indicate that the carrying value may not be recoverable. The recoverable amounts of cash generating units are determined on the basis of value in use calculations. These calculations involve the use of estimates including projected future cashflows and other future events.

Deferred tax assets

Johnson Controls Building Efficiency UK Limited

Notes to the financial statements for the year ended 30 September 2022 (cont'd)

Deferred tax assets are recognised based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future, against which the reversal of temporary differences can be deducted. Management make estimates regarding the future financial performance of the company, taking into account elements such as long-term business strategy and tax planning.

Johnson Controls Building Efficiency UK Limited

Notes to the financial statements for the year ended 30 September 2022 (cont'd)

5 Turnover

	2022	2021
Turnover by destination	£'000	£'000
United Kingdom	98,131	73,335
Europe	10,870	9,979
Rest of world	2,556	1,686
	111,557	85,000

	2022	2021
Turnover by category	£'000	£'000
Parts and products	14,720	16,815
Service and installation	96,837	68,185
	111,557	85,000

6 Operating loss

	2022	2021
	£'000	£'000
Operating loss is stated after charging/(crediting)		
Staff costs		
wages and salaries	26,691	21,974
redundancy costs	246	186
social security costs	3,069	2,419
COVID-19 job retention scheme	—	(37)
other pension costs (note 24)	1,225	1,943
Total staff costs charged to statement of comprehensive income	31,231	26,485
Depreciation of tangible assets (note 12)	180	131
Impairment (reversal) / charge of inventory	243	273
Impairment (reversal) / charge of trade receivables	(34)	100
Impairment (reversal) / charge of intercompany receivable	—	(1,701)
Research and development expenditure credit	(180)	(478)
Foreign exchange losses / (gains) on forward contracts	—	165
Loss on disposal of tangible fixed assets	—	2
Inventory recognised as an expense	21,194	24,356
Operating lease expense - buildings	2,898	2,225
Auditors remuneration - for audit services	86	93
Auditors remuneration - for non-audit services	—	2
Foreign exchange (gain)/loss	256	(71)
Foreign exchange losses/(gains) on forward contracts	206	(160)

Johnson Controls Building Efficiency UK Limited

Notes to the financial statements for the year ended 30 September 2022 (cont'd)

7 Income from investments

	2022	2021
	£'000	£'000
Dividend income	2,380	115,000

Subsequent to the year end, ELRAC Limited was dissolved on 11 October 2022. In preparation for dissolution a dividend was declared of £6.1m. Of this £3.7m has been treated as a return of capital and can be seen in note 13 and the balance of £2.4m has been treated as a dividend received as seen above.

In the prior year, as part of a restructuring, the company received dividends of £115,000 from one of its subsidiaries.

8 Directors and employees

No directors (2021: none) were paid via the company's payroll. Six directors' (2021: four) salaries were borne by other Johnson Controls International plc group undertakings as their services as directors to the company were incidental to other services within the Johnson Controls International plc group of companies. It is not possible to determine an allocation to this company.

During the year no directors (2021: none) were entitled to or received a bonus based on the share price of Johnson Controls International plc. No shares were received or receivable by any of the directors in respect of qualifying services under a long term incentive scheme.

Retirement benefits accrued to no directors (2021: none) under the defined benefit scheme which is closed to future accrual of benefits. Retirement benefits accrued to no directors (2021: none) under the company money purchase scheme.

Staff numbers

The average monthly number of employees, including executive directors, during the year, analysed by category, was as follows:

	2022	2021
Operations and maintenance	225	322
Administration and support	245	75
	470	397

Johnson Controls Building Efficiency UK Limited

Notes to the financial statements for the year ended 30 September 2022 (cont'd)

9 Interest receivable and similar income

	2022	2021
	£'000	£'000
Bank interest receivable	21	6
Net interest income on post-employment benefits (note 24)	374	3
Interest receivable from group undertakings	236	—
	631	9

10 Interest payable and similar expenses

	2022	2021
	£'000	£'000
Bank interest	78	34
Interest payable to group undertakings	470	333
Factoring fees	336	—
	884	367

11 Tax on (loss) / profit

	2022	2021
	£'000	£'000
Current tax		
UK Corporation tax at 19% (2021: 19%)	-	-
Tax settled on behalf of group undertaking	233	-
Adjustment in respect of prior years	-	-
Total current tax	233	-
Deferred tax		
Recognition of deferred tax assets re RDEC	(32)	-
Total deferred tax	(32)	-
Total tax on profit	201	-

Reconciliation of tax charge

The tax assessed for the year is lower (2021: lower) than the standard rate of corporation tax in the United Kingdom of 19% (2021:19%). The differences are explained below:

	2022	2021
	£'000	£'000

Johnson Controls Building Efficiency UK Limited

Notes to the financial statements for the year ended 30 September 2022 (cont'd)

(Loss) / profit before taxation	(6,005)	112,703
Tax on profit before tax at 19% (2021: 19%)	(1,141)	21,413
Effects of:		
Expenses not deductible for corporation tax	16	237
Income not taxable	(452)	(21,850)
Group relief surrendered for nil consideration	1,830	881
Movement in unrecognised deferred tax	(243)	(674)
Research and development credit expenditure	(10)	(7)
Movement in deferred tax re Research and development expenditure credit	(32)	-
Tax settled on behalf of group undertakings	233	-
Total tax expense for the year	201	-

The rate of UK corporation tax is currently 19%. In its 2021 Spring Budget, the UK government accounted that, from 1 April 2023, the corporation tax rate will increase to 25%. This was substantively enacted for UK GAAP purposes on 10 June 2021.

Temporary differences at the Statement of financial position date have been measured using the enacted deferred tax rate of 25% and reflected in these financial statements.

12 Intangible assets

	Software	Goodwill	Total
	£'000	£'000	£'000
Cost			
At 1 October 2021	111	65,924	66,035
Additions	—	4,704	4,704
Disposals	—	—	—
Other	—	—	—
At 30 September 2022	111	70,628	70,739

Johnson Controls Building Efficiency UK Limited

Notes to the financial statements for the year ended 30 September 2022 (cont'd)

Accumulated amortisation			
At 1 October 2021	111	22,009	22,120
Charge for the year	—	1,403	1,403
On disposals	—	—	—
At 30 September 2022	111	23,412	23,523

Impairment			
At 1 October 2021	—	32,245	32,245
Charge for the year	—	2,429	2,429
Reversal of impairment	—	—	—
At 30 September 2022	—	34,674	34,674

Net book value			
At 30 September 2022	—	12,542	12,542
At 30 September 2021	—	11,670	11,670

Goodwill was generated on the acquisition of the trade and assets of several group companies during the year: £3.17m in relation to Cool Solutions Refrigeration Limited effective 1 May 2022, £677k in relation to Cool Solutions (Midlands) Limited effective 1 May 2022, £547k in relation to Fisher Group Limited effective 1 July 2022 and £110k in relation to Fisher Group Service Limited effective 1 July 2022.

Johnson Controls Building Efficiency UK Limited

Notes to the financial statements for the year ended 30 September 2022 (cont'd)

13 Tangible assets

	Leasehold improvements £'000	Plant and machinery £'000	Fixtures, fittings, tools and equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 October 2021	801	751	377	—	1,929
Additions	6	60	132	—	167
Disposals	(13)	(7)	(5)	—	(25)
Reclassification	—	—	—	—	—
At 30 September 2022	804	833	619	574	2,830
Accumulated depreciation					
At 1 October 2021	634	516	351	—	1,501
Disposals	(13)	(7)	(5)	—	(25)
Charge for the year	51	28	62	39	180
Reclassification	—	—	—	—	—
At 30 September 2022	682	599	493	370	2,144
Net book value					
At 30 September 2022	122	234	126	204	686
At 30 September 2021	167	235	26	—	428

Asset acquisitions in the year were derived from the acquisition of the trade and assets of two direct subsidiaries Cool Solutions Refrigeration Limited and Cool Solutions (Midlands) Limited on 1 May 2022 and from the acquisition of the trade and assets of two fellow group undertakings Fisher Group Limited and Fisher Group Service Limited on 1 July 2022.

Johnson Controls Building Efficiency UK Limited

Notes to the financial statements for the year ended 30 September 2022 (cont'd)

Johnson Controls Building Efficiency UK Limited

Notes to the financial statements for the year ended 30 September 2022 (cont'd)

14 Investments

	Total
Shares in subsidiary undertakings	£'000
Cost	
At 1 October 2021	195,848
Additions	44,998
Disposal	—
Return of capital	(3,721)
At 30 September 2022	237,125
Provision for impairment	
At 1 October 2021	—
Impairment charge	(4,307)
Impairment reversal	—
At 30 September 2022	(4,307)
Net book amount	
At 30 September 2022	232,818
At 30 September 2021	195,848

In the directors' opinion, the carrying value of the investments, net of impairment provisions, is supported by the value of the underlying business.

	2022	2021
Analysed as:	£'000	£'000
ELRAC Limited	—	3,722
H & C Contracts Limited	3,823	3,823
Cool Solution Refrigeration Limited	1,331	5,313
Cool Solution (Midlands) Limited	275	599
Macron Safety Systems (UK) Limited	63,451	63,451
Tyco Fire & Integrated Solutions (UK) Limited	118,940	118,940
Asset Plus Energy Performance Limited	44,998	—
At 30 September	232,818	195,848

Johnson Controls Building Efficiency UK Limited

Notes to the financial statements for the year ended 30 September 2022 (cont'd)

14 Investments (cont'd)

The company held the following investments at 30 September 2022:

Company and principal activity	Class of shares	Proportion of issued share capital held by:		Nature of business / Principal activity	Registered Office
		The Company	Other group companies		
ELRAC Limited	Ordinary	100%	—	Trading	9/10 The Briars, Waterberry Drive, Waterloooville, Hampshire, PO7 7YH, UK
H & C Contracts Limited	Ordinary	100%	—	Trading	9/10 The Briars, Waterberry Drive, Waterloooville, Hampshire, PO7 7YH, UK
Cool Solution Refrigeration Limited	Ordinary	100%	—	Trading	9/10 The Briars, Waterberry Drive, Waterloooville, Hampshire, PO7 7YH, UK
Cool Solution (Midlands) Limited	Ordinary	100%	—	Trading	9/10 The Briars, Waterberry Drive, Waterloooville, Hampshire, PO7 7YH, UK
Macron Safety Systems (UK) Limited	Ordinary	100%	—	Trading	Burlingham House, Hewett Road, Great Yarmouth, Norfolk, NR31 0NN, UK
Tyco Fire & Integrated Solutions (UK) Limited	Ordinary	100%	—	Trading	Tyco Park, Grimshaw Lane, Newton Heath, Manchester, M40 2WL, UK
Tyco Qatar Fire & Security WLL	Ordinary	—	49%	Trading	PO Box 22296, Doha, Ad Dawhah, Qatar

Johnson Controls Building Efficiency UK Limited

Notes to the financial statements for the year ended 30 September 2022 (cont'd)

Tyco Fire & Security UAE LLC	Ordinary	—	49%	Trading	Hamdan Bin Mohammed Street – 10 0 KC7 – T6 Office 65, Mohammed Abdullah Bin Brook Al Humeiry Building, Mina Zayed, Abu Dhabi
Tyco Limited Company LLC	Ordinary	—	34%	Trading	PO Box 889, Postal code: 100 Muscat, Sultanate of Oman
Powertec Pumps Limited (*)	Ordinary	—	100%	Trading	Tyco Park, Grimshaw Lane, Newton Heath, Manchester, M40 2WL, UK
Xcell Misting Limited (**)	Ordinary	—	100%	Trading	Security House, The Summit, Hanworth Road, Sunbury On Thames, Middlesex, TW16 5DD, UK
Asset Plus Energy Performance Limited	Ordinary	100%	—	Trading	9/10 The Briars, Waterberry Drive, Waterlooville, Hampshire, PO7 7YH, UK

* purchased by Tyco Fire & Integrated Solutions (UK) Limited in April 2022

**purchased by purchased by Tyco Fire & Integrated Solutions (UK) Limited in March 2022

On 3 May 2022 the company purchased 100% of the issued share capital of Asset Plus Energy Performance Limited for consideration of £44.99m. Of this cash was paid of £38.75m and the remaining balance of £6.24m is to be paid in instalments in May 2024 and May 2025. This can be seen in creditors falling due after more than one year (note 18).

On 14 June 2022 the direct subsidiary of ELRAC Limited, East Lancashire Refrigeration Limited, was dissolved.

Subsequent to the year end, ELRAC Limited was dissolved on 11 October 2022. In preparation for dissolution a dividend was declared of £6.1m. Of this £3.7m has been treated as a return of capital and can be seen above and the balance of £2.4m has been treated as a return on capital and recognised in the Income Statement as income from investments.

In the directors' opinion, the carrying value of each of the investments is supported by the value of the underlying assets of each of the businesses, together with its subsidiaries.

Johnson Controls Building Efficiency UK Limited

Notes to the financial statements for the year ended 30 September 2022 (cont'd)

15 Inventories

	2022	2021
	£'000	£'000
Finished goods and goods for resale	3,733	3,487
Work in progress	1,054	796
	4,787	4,283

There is no significant difference between the replacement cost of the inventories and the carrying amount in the Statement of financial position.

Inventories are stated net of provision for impairment of £0.78 million (2021: £0.55 million).

16 Debtors

	2022	2021
	£'000	£'000
Amounts falling due within one year		
Trade debtors	13,431	17,167
Amounts owed by group undertakings	33,597	6,420
Other receivables	1,821	351
Amounts recoverable on contracts	22,798	16,536
Forward exchange contracts (note 22)	—	49
Prepayments and accrued income	3,529	4,688
	75,176	45,211

Included within prepayments and accrued income is £2.0 million due after more than one year (2021: £3.0 million).

Trade debtors are stated after provisions for impairment of £39k (2021: £73k).

Included in amounts owed by group undertakings is £26.46 million (2021: £nil million) in relation to amounts transferred to group undertakings under a zero balance pooled bank agreement with Barclays Bank Plc in which interest may arise at +0.83% above bank rate. Each member of the pooled bank group is jointly and severally liable to the bank for overdrawn balances within the pool, the net positive position of which was £1,374,007,952 (2020: £624,358,931 on 30 September 2022).

All other amounts are unsecured, interest free and repayable on demand.

17 Deferred tax

Johnson Controls Building Efficiency UK Limited

Notes to the financial statements for the year ended 30 September 2022 (cont'd)

	2022	2021
	£'000	£'000
Asset recognised at 1 October		
Amount charged to the Statement of comprehensive income		
Total deferred tax unrecognised	—	

No deferred tax has been recognised in these financial statements due to insufficient evidence at the Statement of financial position date of future taxable profits against which to utilize the deferred tax balance. This is due to pre-tax losses having been incurred in several previous years. The total unrecognised deferred tax asset is £1.4 million (2021: £1.6 million) analysed as follows: £nil (2021: nil) in relation to tax losses, £nil (2021: nil) in relation to post-employment benefits, £0.8 million (2021: £1.0 million) in relation to accelerated capital allowances, £0.3 million (2021: £0.3 million) in relation to research and development credits and £0.3 million (2021: £0.3 million) in relation to other timing differences.

18 Creditors – amounts falling due within one year

	2022	2021
	£'000	£'000
Bank overdrafts	194	—
Trade creditors	14,266	12,162
Amounts owed to group undertakings	60,507	62,676
Taxation and social security	1,407	1,398
Other creditors	2,113	1,261
Deferred income	4,832	4,563
VAT payable	1,436	1,130
Other deferred liabilities	550	—
Forward exchange contracts (note 22)	436	49
Accruals	3,930	3,576
	89,671	86,815

The Johnson Controls International plc group has a cash pooling arrangement with Bank Mendes Gan ("BMG") which manages the funding requirement for EMEA group companies. BMG balances are unsecured, repayable on demand and interest rates are set and calculated daily for each currency. Overdraft rates in the prior year were equal to credit rates plus 0.83% margin. The bank overdraft formed part of this cash pooling.

Included within amounts owed to group undertakings is a loan owing to Tyco Fire & Integrated Solutions (UK) Limited of £23.4m (2021: £23.4m). Interest is charged at a rate of 1.3% (2021: 0.49%) per annum. The loan is repayable on demand. As well as a loan of £20m owing to Tyco International Holding S.à r.l (2021: Nil) charged at the interest rate 2.08% (2021: Nil), with a current maturity date in April 2027. The remaining balance in amounts owed to group undertakings at 30 September 2022 comprises intercompany current accounts arising as a result of trading activity. These are interest free and repayable on demand.

In the prior year, included within amounts owed to group undertakings is £20.0 million in relation to group cash pooling arrangements in which interest may arise at 0.83% (2020: 0.83%) above Barclays' base rate.

Johnson Controls Building Efficiency UK Limited

Notes to the financial statements for the year ended 30 September 2022 (cont'd)

19 Creditors – amounts falling due after more than one year

	2022	2021
	£'000	£'000
Other deferred liabilities	6,240	550
	6,240	550

Included in other deferred liabilities is the first and second payments of the retained consideration due on the fixed asset investment acquisition of Asset Plus Energy Performance Limited, falling due in May 2024 and May 2024, as detailed in note 13.

Included in other deferred liabilities in the prior year was the second payment of retained consideration due on the fixed asset investment acquisition of Cool Solution Refrigeration Limited falling due in February 2023. In the current year this is being shown within creditors falling due within one year.

20 Provisions for liabilities

	Share appreciation rights £'000	Restricted stock units £'000	Warranty provision £'000	Total £'000
At 1 October 2021	108	513	175	796
Additions charged to the Statement of comprehensive income	—	78	751	829
Utilised in the year	(66)	(214)	(670)	(950)
Amounts released	—	—	(51)	(51)
At 30 September 2022	42	377	205	624

Share appreciation rights and restricted stock units

The provision relates to outstanding options granted to employees and directors.

Warranty provision

The provision relates to obligations under sales warranties, the timings of which are uncertain. Warranties are typically for a length of twelve months from commissioning date and are calculated with reference to the experience rate in the previous twelve months.

21 Operating lease commitments

The company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2022	2021
	£'000	£'000
Payments due		

Johnson Controls Building Efficiency UK Limited

Notes to the financial statements for the year ended 30 September 2022 (cont'd)

Within one year	1,453	1,259
Within two to five years	2,629	2,197
Over five years	227	57
	4,309	3,513

Included in the lease commitment value above is £97k which relates to the lease agreement of a property used by a company subsidiary, H & C Contracts Limited. All costs in relation to the leases are borne by the subsidiary benefiting from the use of each property. However, the lease agreements are in the name of Johnson Controls Building Efficiency UK Limited. As such any legal commitments are the responsibility of the company and thus all commitments in relation to the leases in question have been disclosed above.

Leases for land and buildings are subject to periodic rent review.

22 Financial instruments

The company enters into forward exchange currency contracts to mitigate the exchange rate risk for the cost of goods sold. The foreign exchange contracts shown in notes 15 and 17 are measured at fair value with any changes charged or credited to the Statement of comprehensive income in administrative expenses. The fair market value of these contracts is an asset of £nil (2021: £49k) and a liability of £436 (2021: £49k). The contracts mature at varying dates within 12 months of the Statement of financial position date. As at 30 September 2022, the company is committed to buy \$2.8 million for £2.3 million (2021: \$2.0 million) and sell €6.8 million for £5.7 million (2021: €5.9 million).

23 Contingent liabilities

The company is potentially exposed to liquidated damages and legal claims in respect of contracts it has entered into. The directors do not expect any significant unprovided or uninsured loss to be suffered in respect of these contacts.

Johnson Controls Building Efficiency UK Limited

Notes to the financial statements for the year ended 30 September 2022 (cont'd)

24 Post-employment benefits

The company participated in a defined benefit pension scheme, the Johnson Controls Building Efficiency UK Pension Scheme. This scheme has been closed to new entrants since 31 March 2011. The contributions made by the employer over the financial year were £400k (2021: £3.6 million). The company does not expect to contribute to its pension plan in the year to 30 September 2023.

The company also participates in a group defined contribution pension scheme, to which £0.02 million (2021: £0.02 million) was payable to the scheme at year end.

The total amount charged to the Statement of comprehensive income for all pension schemes is as follows:

	2022	2021
Administration expenses in relation to the defined benefit scheme	£498	£988
Past service cost in relation to the defined benefit scheme	-	309
Defined contribution scheme	789	1,069
Total charged to operating profit/ (loss)	1,225	1,943
Net interest (income) in relation to the defined benefit scheme	(374)	(3)
Total charged to the Statement of comprehensive income	851	1,940
Re-measurement of net defined benefit obligation	14,521	16,509
Total credited to other comprehensive income	14,521	16,509

Defined benefit pension schemes:

The total defined benefit pension asset shown in the Statement of financial position is as follows:

	2022 £'000	2021 £'000
Pension asset	(32,783)	(17,924)

A full actuarial valuation of the scheme was carried out as at 30 September 2019 and updated to 30 September 2022 by qualified independent actuaries.

Principal actuarial assumptions

The principal actuarial assumptions at the Statement of financial position date are as follows:

	2022 % pa	2021 % pa
Inflation - RPI	3.74	3.52
Inflation - CPI	3.34	2.82
Rate of increase of pensions in payment	2.76	2.76
Discount rate	5.13	2.09

24 Post-employment benefits (cont'd)

Weighted average life expectancy for mortality tables used to determine benefit obligations at:

Johnson Controls Building Efficiency UK Limited

Notes to the financial statements for the year ended 30 September 2022 (cont'd)

	2022		2021	
	Male	Female	Male	Female
Member age 65	22.2	24.2	22.1	24.2
Member age 45 (life expectancy at age 65)	23.5	25.7	23.4	25.6

Reconciliation of scheme assets and liabilities	Assets £'000	Liabilities £'000	Total £'000
At 1 October 2021	330,651	(312,727)	17,924
Administration expenses	(436)	-	(436)
Interest income/(expense)	6,810	(6,436)	374
Employer contributions	400	-	400
Actuarial gains on liabilities	(108,033)	122,554	14,521
Benefits paid	(9,558)	9,558	-
Past service cost	—	-	-
At 30 September 2022	219,834	(187,051)	32,783

Total cost recognised as an expense:

	2022 £'000	2021 £'000
Administration expenses	436	565
Past service cost	-	309
Net interest (income)	(374)	(3)
Total charged to the Statement of comprehensive income	62	871

The return on plan assets was:

	2022 £'000	2021 £'000
Interest income	6,810	5,093
Return on plan assets less interest income	(108,033)	3,986
Total return on plan assets	(101,223)	9,079

The assets in the scheme were:

	2022 Fair value £'000	2021 Fair value £'000
Equities	9,612	22,306
Corporate bonds	98,785	140,116
Diversified Growth Fund	205	2,520
Liability Driven Investment	64,876	147,108
Property	16,752	14,956

Johnson Controls Building Efficiency UK Limited

Notes to the financial statements for the year ended 30 September 2022 (cont'd)

Others	29,604	3,645
	219,834	330,651

25 Called up share capital

	30 September 2022	30 September 2021
Allotted, called-up and fully paid	£'000	£'000
197,392,302 Ordinary shares of £1 each (2021: 197,392,302)	197,392	197,392
	197,392	197,392

During 2021 the company issued share capital above par to fund investment acquisition activities undertaken, thereby generating a share premium account.
The following rights attach to the different classes of share:

Ordinary shares

1. Each share is entitled to one vote in any circumstance.
2. The holders of ordinary shares shall be entitled to a dividend at a rate declared by the directors from time to time. Payment of ordinary dividends shall be made only after payments of all cumulative preference dividends have been made to holders of all the cumulative preference shares, including payments of a sum equal to all arrears and accruals thereon.
3. On a return of capital or winding up, the surplus assets remaining after the payment of the company's liabilities shall be applied equally amongst the holders of the ordinary shares.

26 Ultimate parent undertaking and controlling party

The immediate parent undertaking and controlling party is Tyco Holdings (U.K.) Limited, a company incorporated in the United Kingdom.

The ultimate parent undertaking and controlling party is Johnson Controls International plc, a company incorporated in Cork, Ireland. Johnson Controls International plc is the parent undertaking of the smallest and largest group of undertakings to consolidate these financial statements for the year ended 30 September 2022. The consolidated financial statements of Johnson Controls International plc are available from:

Johnson Controls International plc
One Albert Quay
Cork
T12 X8N6

Johnson Controls Building Efficiency UK Limited

Notes to the financial statements for the year ended 30 September 2022 (cont'd)

27 Post balance sheet events

Subsequent to the year end, ELRAC Limited was dissolved on 11 October 2022.

Subsequent to the year ended 30 September 2022, Johnson Controls Building Efficiency UK Limited was informed by the parent entity, Johnson Controls International plc, that the parent entity has experienced disruptions in portions of its internal information technology infrastructure and applications (IT infrastructure) resulting from a cybersecurity incident and has promptly began an investigation with assistance from leading external cybersecurity experts. The parent entity is assessing what information was impacted and is executing its incident management and protection plan, including implementing remediation measures to mitigate the impact of the incident, and will continue taking additional steps as appropriate.

The Company's IT systems and infrastructure is part of the aforesaid IT infrastructure. Management has assessed that to date, many of the applications used by the Company are largely unaffected and remain operational. The Company has implemented workarounds for certain operations to mitigate disruptions and continues servicing its customers.

While the detailed investigation as regards the incident is yet to be concluded by the parent entity, based on the preliminary assessment and considering the workarounds implemented, the management does not expect the incident reported herein to have any significant impact on the operations and the aforesaid financial statements of the Johnson Controls Building Efficiency UK Limited.

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