

Johnson & Johnson Limited

2175750

Annual report for the year ended 31 December 1995

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Directors and advisers

Directors

Mr J S F Cunningham
Mr R Dunphy
Mr D J Dutilloy (French)
Mr M S Head (Chairman and
managing director)
Ms V A Thomas

Bankers

Barclays Bank Plc
Hamilton Road
Slough Trading Estate
Slough
Berkshire SL1 4SG

Lloyds Bank Plc
Bedford Avenue
Slough Trading Estate
Slough
Berkshire SL1 4RN

Secretary and registered office

Mrs V J Dawkins
Foundation Park
Roxborough Way
Maidenhead
Berkshire SL6 3UG

Registered auditors

Coopers & Lybrand
9 Greyfriars Road
Reading
Berkshire RG1 1JG

Solicitors

Linklaters & Paines
Barrington House
59-67 Gresham Street
London EC2V 7JA

**Directors' report
for the year ended 31 December 1995**

The directors present their report and the audited financial statements for the year ended 31 December 1995.

Principal activities

The profit and loss account for the year is set out on page 6.

The principal activity of the company is the sale of toiletries and other personal healthcare products.

Review of business and future developments

Both the level of business and the financial position at the end of the year were satisfactory and the directors anticipate that this will continue for the foreseeable future.

Dividends and transfers to reserves

The directors do not recommend payment of a dividend this year (1994: £Nil). The profit for the financial year of £420,000 will be transferred to reserves.

Research and development

The company is heavily committed to research and development activities in order to bring new or improved products on to the personal healthcare market so as to maintain its position within the market. It is the company's policy to write off all such expenditure as incurred.

Changes in fixed assets

The movements in fixed assets during the year is set out in notes 10 and 11 to the financial statements.

Post balance sheet events

On 1 January 1996 the company acquired the trade, assets and liabilities of Neutrogena Limited, a group company, for £1.

Directors and Secretary

The directors of the company at 31 December 1995, all of whom have been directors for the whole of the year ended on that date other than Mr M S Head, who was appointed as director and Chairman on 4 October 1995, are listed on page 1.

Mr G D Bembridge, Mr H Gagnum, Dr J Hopkins, Mr T T McManus and Mr V P Pender were directors at 2 January 1995. Dr J Hopkins and Mr H Gagnum (Chairman) resigned from the board on 15 April 1995, Mr T T McManus (appointed Chairman on 16 April) resigned on 3 October 1995, Mr G D Bembridge resigned on 6 December 1995 and Mr V P Pender resigned on 31 December 1995.

Mr C Thorne resigned as company secretary on 15 October 1996. Mrs V J Dawkins was appointed as company secretary on that date in his place.

Mr C Dempsey was appointed as a director on 1 January 1996. Mr J S F Cunningham resigned as a director on 31 August 1996. Mr C Thorne and Mr B Warner were appointed directors on 1 September 1996.

Directors' interests

According to the register required to be kept under Section 325 of the Companies Act 1985 no director had, at any time during the year ended 31 December 1995, any interests in shares of the company, or any other group company, which are required by Section 324 of the Act to be notified to the company.

Charitable and political contributions

No political contributions were made during the year (1994: £Nil). Charitable contributions amounted to £20,795 (1994: £22,442).

Employee involvement

The company is committed to the continued provision and development of employee involvement by an effective communications and consultative framework. Consultative committees covering broad business areas, pensions, health and safety, quality and employee services are well established and meet regularly. Briefing meetings for all staff are held regularly.

The current emphasis is on facilitating cross functional relationships to increase awareness and to build effective teamwork.

The company's policies and practices are regularly reviewed and feedback received from all staff levels.

Disabled persons

The company adopts the policy of giving full and fair consideration to the employment and training of disabled persons, having regard to their particular aptitudes and disabilities.

Taxation status

As far as the directors are aware, the close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the company. There has been no change in this respect since the end of the financial year.

Directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 1995. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

By order of the board



Mrs V J Dawkins
Secretary
30 October 1996

Report of the auditors to the members of Johnson & Johnson Limited

We have audited the financial statements on pages 6 to 20.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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 the company's affairs at 31 December 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand
Coopers & Lybrand
Chartered Accountants and Registered Auditors
Reading
30 October 1996

**Profit and loss account
for the year ended 31 December 1995**

	Notes	1995 £'000	1994 £'000
Turnover - continuing operations	2	<u>89,141</u>	<u>80,043</u>
Operating profit - continuing operations	3	902	5,028
Exceptional restructuring costs	4	-	(1,000)
Interest receivable and similar income		1,251	1,432
Interest payable and similar charges	5	<u>(1,370)</u>	<u>(1,217)</u>
Profit on ordinary activities before taxation	6	783	4,243
Tax on profit on ordinary activities	9	<u>(363)</u>	<u>(1,068)</u>
Retained profit for the year	19	<u>420</u>	<u>3,175</u>
Statement of retained profits			
At 2 January 1995		5,417	2,242
Retained profit for the year		<u>420</u>	<u>3,175</u>
At 31 December 1995		<u>5,837</u>	<u>5,417</u>

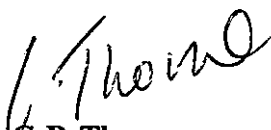
The company has no recognised gains and losses other than the profits above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

Balance sheet at 31 December 1995

	Notes	31 December 1995 £'000	1 January 1995 £'000
Fixed assets			
Tangible assets	10	9,256	8,225
Investments	11	6,500	4,000
		<u>15,756</u>	<u>12,225</u>
Current assets			
Stocks	12	9,076	8,505
Debtors	13	15,308	13,707
Cash at bank and in hand		12,261	22,224
		<u>36,645</u>	<u>44,436</u>
Creditors: amounts falling due within one year	14	<u>31,450</u>	<u>36,676</u>
Net current assets		<u>5,195</u>	<u>7,760</u>
Total assets less current liabilities		<u>20,951</u>	<u>19,985</u>
Creditors: amounts falling due after more than one year	15	609	407
Provisions for liabilities and charges	16	<u>2,940</u>	<u>2,596</u>
		<u>3,549</u>	<u>3,003</u>
Net assets		<u>17,402</u>	<u>16,982</u>
Capital and reserves			
Called up share capital	18	11,565	11,565
Profit and loss account		5,837	5,417
Equity shareholders' funds	19	<u>17,402</u>	<u>16,982</u>

The financial statements on pages 6 to 20 were approved by the board of directors on 30 October 1996 and were signed on its behalf by:



C R Thorne
Director

**Notes to the financial statements
for the year ended 31 December 1995****1 Principal accounting policies**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been consistently applied, is set out below.

Basis of accounting

The financial statements have been prepared under the historical cost convention.

Research and development

Research and development expenditure is written off as it is incurred.

Turnover

Turnover, which excludes value added tax and trade discounts, represents the invoiced value of goods and services supplied.

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual value, on a straight line basis over the expected useful economic lives of the assets concerned from the time those assets are placed in use. The principal annual rates used for this purpose are:

	%
Computer equipment	20 - 33
Fixtures, fittings and equipment	10

Leasehold land and buildings are amortised over 30 years or, if shorter, the period of the lease.

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. The cost of raw materials is ascertained on a first in first out basis. The cost of work in progress and finished goods comprises the cost of direct raw materials and labour, together with the relevant proportion of overheads calculated according to the stage of production reached, based on the normal level of activity. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation and, where appropriate, the cost of conversion from their existing state to a finished condition. Provision is made where necessary for obsolete, slow moving and defective stocks.

Foreign currencies

Trading transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling when the company entered into the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rate ruling at the balance sheet date. Exchange gains or losses are included in operating profit.

Investments

Interests in joint venture companies are treated as associated undertakings and are shown at cost. The company does not prepare consolidated financial statements and therefore the company's share in the results of associated undertakings are not included in these financial statements.

Operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term in arriving at the operating profit.

Finance leases

Assets which are financed by leasing agreements that transfer to the company substantially all the risks and rewards of ownership are capitalised in accordance with standard accounting practice and included in fixed assets. The amount capitalised represents the present value of the minimum lease payments. The corresponding leasing commitments are shown as obligations under finance leases within creditors. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease term or the estimated useful lives of the assets.

Taxation

The charge for taxation is based on the result for the year as adjusted for disallowable items. Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is probable that a liability or asset will crystallise. Timing differences arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the financial statements. Provision is made at the rate which is expected to be applied when the liability or asset is expected to crystallise.

Pension arrangements

The company participates in Johnson & Johnson Group pension arrangements. The group operates a funded pension scheme for UK employees which provides defined benefit for most members and benefits on a defined contribution basis for younger members. The cost of providing future benefits is estimated by an independent, qualified actuary and spread over the expected service lives of current employees. Variations in pension cost are spread over the expected service lives of current employees.

Advertising

Advertising and sales promotion expenditure is written off as it is incurred.

Cash flow statement

The company is a wholly owned subsidiary of Johnson and Johnson Management Limited and the cash flows of the company are included in the consolidated group cash flow statement of Johnson and Johnson Management Limited. Consequently the company is exempt under the terms of Financial Reporting Standard No 1 from publishing a cash flow statement.

2 Turnover

The company's turnover is derived solely from the sale of toiletries and other personal healthcare products. The geographical analysis of turnover is as follows:

	1995 £'000	1994 £'000
Geographical segment		
United Kingdom	72,790	63,425
Rest of Europe and Middle East	14,828	15,365
Rest of world	1,523	1,253
	<hr/>	<hr/>
	89,141	80,043
	<hr/>	<hr/>

3 Operating profit - continuing operations

	1995 £'000	1994 £'000
Turnover	89,141	80,043
Change in stocks of finished goods and work in progress	(809)	(2,477)
Raw materials and consumables	(40,099)	(36,366)
Other external charges	(3,946)	(4,508)
Staff costs (see note 8)	(10,788)	(9,204)
Depreciation of tangible fixed assets	(1,932)	(2,602)
Other operating charges	(29,765)	(19,858)
Operating profit	<u>902</u>	<u>5,028</u>

4 Exceptional restructuring costs

This charge represents restructuring costs incurred by the company that arose following the acquisition of the business, assets and liabilities of a fellow subsidiary, Laboratories RoC (U.K.) Limited.

5 Interest payable and similar charges

	1995 £'000	1994 £'000
On amounts due to group undertakings	1,299	1,139
On loans wholly repayable within 5 years, not by instalments	-	2
On finance leases	71	76
	<u>1,370</u>	<u>1,217</u>

6 Profit on ordinary activities before taxation

	1995 £'000	1994 £'000
Profit on ordinary activities before taxation is stated after charging:		
Depreciation charge for the year:		
Tangible owned fixed assets	1,577	2,287
Tangible fixed assets held under finance leases	355	315
Research and development expenditure	937	954
Auditors' remuneration for audit services	42	36
Hire of motor vehicles and office equipment	21	14
Lease of land and buildings	1,413	1,403
Loss on disposal of fixed assets	10	141

The remuneration of the auditors for non audit services was £65,000 (1994: £67,000).

7 Directors' emoluments

	1995 £'000	1994 £'000
Emoluments (including pension contributions and benefits in kind)	<u>658</u>	<u>802</u>

Emoluments (excluding pension contributions) include amounts paid to:

	1995 £	1994 £
The chairman		
2 January 1994 to 1 January 1995	-	-
2 January 1995 to 15 April 1995	-	-
16 April 1995 to 3 October 1995	61,277	-
4 October 1995 to 31 December 1995	<u>67,992</u>	<u>-</u>
The highest paid director	<u>100,271</u>	<u>131,981</u>

The number of directors (including the chairman and the highest-paid director) who received fees and other emoluments (excluding pension contributions) in the following ranges was:

	1995 Number	1994 Number
£0 to £5,000	2	1
£10,001 to £15,000	-	1
£20,001 to £25,000	1	-
£60,001 to £65,000	1	-
£85,001 to £90,000	1	-
£90,001 to £95,000	4	-
£95,001 to £100,000	-	2
£100,001 to £105,000	1	2
£110,001 to £115,000	-	2
£130,001 to £135,000	-	1

8 Employee information

The weekly average number of persons (including executive directors) employed during the year was:

	1995 Number	1994 Number
By activity		
Production and distribution	183	186
Selling and marketing	102	98
Administration	37	41
Research and development	14	15
	<u>336</u>	<u>340</u>
	<u><u>336</u></u>	<u><u>340</u></u>
	1995	1994
	£'000	£'000
Staff costs (for the above persons)		
Wages and salaries	9,401	7,784
Social security costs	694	654
Other pension costs (see note 17)	693	766
	<u>10,788</u>	<u>9,204</u>
	<u><u>10,788</u></u>	<u><u>9,204</u></u>

The total pension cost for the company is stated after amortisation of the pension fund surplus which is being spread over the remaining service lives of current employees.

9 Tax on profit on ordinary activities

	1995 £'000	1994 £'000
Current year:		
United Kingdom corporation tax at 33% (1994: 33%):		
Based on profit for the year	1,331	1,781
Transfer from deferred taxation	(1,066)	(364)
	<u>265</u>	<u>1,417</u>
Adjustments in respect of prior years:		
Corporation tax	157	(331)
Transfer from deferred taxation	(59)	(18)
	<u>363</u>	<u>1,068</u>
	<u><u>363</u></u>	<u><u>1,068</u></u>

10 Tangible fixed assets

	Land and buildings	Capital assets under construction	Assets held under finance leases	Fixtures, fittings and equipment	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 2 January 1995	5,326	621	1,421	9,914	17,282
Additions	213	380	802	1,855	3,250
Transfers	(31)	(621)	-	652	-
Disposals	(23)	-	(701)	(58)	(782)
At 31 December 1995	5,485	380	1,522	12,363	19,750
Depreciation					
At 2 January 1995	3,051	-	549	5,457	9,057
Charge for year	349	-	355	1,228	1,932
Transfers	(18)	-	-	18	-
Disposals	(16)	-	(435)	(44)	(495)
At 31 December 1995	3,366	-	469	6,659	10,494
Net book value					
At 31 December 1995	<u>2,119</u>	<u>380</u>	<u>1,053</u>	<u>5,704</u>	<u>9,256</u>
Net book value					
At 1 January 1995	<u>2,275</u>	<u>621</u>	<u>872</u>	<u>4,457</u>	<u>8,225</u>

All land and buildings are held under short term leases.

11 Fixed asset investments

	Associated undertaking £'000
At 2 January 1995	4,000
Additions	2,500
	<hr/>
At 31 December 1995	6,500
	<hr/> <hr/>

The above relates to the company's investment in 50% of the ordinary share capital of an unlimited company, Johnson & Johnson.MSD Consumer Pharmaceuticals (formerly Centra Healthcare). The company has invested a further £2,500,000 in this company during the year and continues to hold a 50% share. The investment of £2,500,000 was a payment on account for 2,500,000 £1 ordinary shares which were issued on 9 January 1996. The registered office of Johnson & Johnson.MSD Consumer Pharmaceuticals is at Enterprise House, Station Road, Loudwater, Buckinghamshire.

Johnson & Johnson.MSD Consumer Pharmaceutical's principal activity is the marketing of consumer pharmaceuticals.

12 Stocks

	31 December 1995 £'000	1 January 1995 £'000
Raw materials and consumables	1,126	1,612
Work in progress	401	253
Finished goods and goods for resale	7,549	6,640
	<hr/>	<hr/>
	9,076	8,505
	<hr/> <hr/>	<hr/> <hr/>

13 Debtors

	31 December 1995 £'000	1 January 1995 £'000
Amounts falling due within one year		
Trade debtors	8,090	8,700
Amounts owed by group undertakings	4,633	4,196
Other debtors	1,390	487
Prepayments and accrued income	419	324
Deferred tax asset	776	-
	<u>15,308</u>	<u>13,707</u>

14 Creditors: amounts falling due within one year

	31 December 1995 £'000	1 January 1995 £'000
Trade creditors	8,183	7,714
Obligations under finance leases	444	465
Amounts owed to group undertakings	17,491	25,364
Corporation tax	627	1,443
Other taxation and social security payable	1,718	535
Accruals and deferred income	2,987	1,155
	<u>31,450</u>	<u>36,676</u>

15 Creditors: amounts falling due after more than one year

	31 December 1995 £'000	1 January 1995 £'000
Obligations under finance leases	609	407
	<u> </u>	<u> </u>
Obligations under finance leases fall due as follows:		
In one year or less	508	514
Between two and five years	681	444
	<u> </u>	<u> </u>
	1,189	958
Finance charges allocated to future periods	(136)	(86)
	<u> </u>	<u> </u>
	1,053	872
	<u> </u>	<u> </u>
Due within one year	444	465
Due after more than one year	609	407
	<u> </u>	<u> </u>
	1,053	872
	<u> </u>	<u> </u>

16 Provisions for liabilities and charges

	Pensions and similar obligations (see note 17) £'000	Deferred taxation £'000	Total £'000
At 2 January 1995	2,247	349	2,596
Transferred from/(to) profit and loss account	693	(349)	344
	<u> </u>	<u> </u>	<u> </u>
At 31 December 1995	2,940	-	2,940
	<u> </u>	<u> </u>	<u> </u>

A deferred tax asset of £776,000 has been included in the balance sheet as current assets.

Deferred taxation

Deferred taxation provided in the financial statements, and the amount unprovided of the total potential liability, are as follows:

	Amount provided		Amount unprovided	
	31 December	1 January	31 December	1 January
	1995	1995	1995	1995
	£'000	£'000	£'000	£'000
Tax deferred by:				
Accelerated capital allowances	920	876	-	-
Other timing differences	(1,696)	(527)	-	(386)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	(776)	349	-	(386)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

17 Pension obligations

The Company participates in the Johnson & Johnson Group pension arrangements. The Group operates a funded plan for UK employees which provides benefits on a defined contribution basis for members under 35. At age 35 members have the option to move onto a defined benefit scale. The Group also operates a small supplementary arrangement for directors.

The assets of the plan are administered by Trustees and are held in a separate fund.

The pension cost and funding arrangements relating to the UK schemes are assessed in accordance with the advice of a qualified actuary using the Projected Unit Method. The cost of providing future benefits is spread over the expected service lives of current employees. Variations in pension cost are spread over the expected service lives of current employees.

The latest funding valuation was as at 1 April 1993. It was assumed that investment returns would be 9% per annum and that salary increases (including promotion) would average 7% per annum. Assets were valued by using a modified 3 year rolling average approach. At that date this value of assets was sufficient to cover 135.4% of the benefits that had accrued to members after allowing for expected future increases in earnings. The market value of the assets for the entire plan was £143,393,218 on 1 April 1993.

The accounting basis differs from the funding basis in that allowance is made for the possibility of the trustees granting discretionary pension increases in the future. For accounting purposes it was assumed that investment returns would average 9½%, salary increases 7½% and pension increases, on the excess over Guaranteed Minimum Pensions, 5%. On the accounting basis the scheme is 108.1% funded.

The total pension cost charged for the year in these financial statements amounted to £692,737 (1994: £766,310).

The Company has made a provision of £2,939,737 (1 January 1995: £2,247,533), this being the excess of the accumulated pension cost over the amount funded.

18 Called up share capital

	31 December 1995 £'000	1 January 1995 £'000
Authorised		
18,000,000 ordinary shares of £1 each	<u>18,000</u>	<u>18,000</u>
Allotted, called up and fully paid		
11,564,613 (1993: 11,564,613) ordinary shares of £1 each	<u>11,565</u>	<u>11,565</u>

19 Reconciliation of movements in shareholders' funds

	1995 £'000	1994 £'000
Opening shareholders' funds	16,982	13,807
Profit for the financial year	<u>420</u>	<u>3,175</u>
Closing shareholders' funds	<u>17,402</u>	<u>16,982</u>

20 Capital commitments

	31 December 1995 £'000	1 January 1995 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	<u>378</u>	<u>186</u>
Capital expenditure that has been authorised by the directors but has not yet been contracted for	<u>555</u>	<u>479</u>

21 Contingent liabilities

	31 December 1995 £'000	1 January 1995 £'000
Indemnity bonds for temporary importation and performance	352	352
	<u> </u>	<u> </u>

22 Financial commitments

The company leases land and buildings on short term leases which all expire after more than five years from the balance sheet date. The annual rental payable under these leases amounts to £1,413,000 at 31 December 1995 (1 January 1995: £1,403,000). The rents payable under these leases are subject to renegotiation at various intervals specified in the leases. The company pays all insurance, maintenance and repairs of these properties.

At 31 December 1995 the company had annual commitments under non-cancellable operating leases for equipment as follows:

	31 December 1995 £'000	1 January 1995 £'000
Expiring within one year	2	-
Expiring between two and five years inclusive	19	14
	<u> </u>	<u> </u>
	21	14
	<u> </u>	<u> </u>

23 Ultimate and immediate parent companies

The directors regard Johnson & Johnson, a company registered in the United States of America, as the ultimate parent company. The ultimate parent's consolidated financial statements may be obtained from Johnson & Johnson, One Johnson & Johnson Plaza, New Brunswick, New Jersey, 08933, USA. The immediate parent company is Johnson and Johnson Management Limited, registered in England and Wales. The immediate parent's consolidated financial statements may be obtained from Johnson & Johnson Management Limited, Foundation Park, Roxborough Way, Maidenhead.