Registered no: 2175750

Johnson & Johnson Limited
Annual report
for the year ended 3 January 1999

Johnson & Johnson Limited

Annual report for the year ended 3 January 1999

Directors and advisers

Directors

Mr I Larracoechea
Mr C R Thorne

Secretary and registered office

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

Registered auditors

PricewaterhouseCoopers
9 Greyfriars Road
Reading
Berkshire RG1 1JG

Solicitors

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

Bankers

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

Directors' report for the year ended 3 January 1999

The directors present their report and the audited financial statements for the year ended 3 January 1999.

Principal activities

The profit and loss account for the year is set out on page 7.

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 year end financial position remain satisfactory. The directors expect that the present level of activity will be sustained for the foreseeable future.

Dividends

The directors do not recommend payment of a dividend in respect of the year ended 3 January 1999. (1997: £Nil).

Research and development

Johnson & Johnson 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.

Directors and Secretary

The directors of the company during and since the year ended 3 January 1999 (unless as indicated), were:

Mr M S Head (Chairman)	resigned on 1 September 1999
Mr I Larracoechea	appointed on 1 September 1999
Mr C R Thorne	

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 3 January 1999, 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 contributions

Charitable contributions amounted to £19,405 (1997: £21,901).

Employee involvement

The company is committed to the continued 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 is 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.

Directors' responsibilities

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

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the board

Mrs V J Dawkins
Company Secretary

22 October 1999

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

We have audited the financial statements on pages 7 to 20.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report including, as described on page 4, the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 3 January 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Reading

Date 27 October 1999

Johnson & Johnson Limited

Profit and loss account for the year ended 3 January 1999

	Notes	1998 £'000	1997 £'000
Turnover - continuing operations	2	**129,696**	121,418
Operating profit - continuing operations	3	**10,297**	4,235
Interest receivable and similar income		**-**	14
Interest payable and similar charges	4	**(671)**	(764)
Profit on ordinary activities before taxation	5	**9,626**	3,485
Tax on profit on ordinary activities	8	**(2,525)**	(1,004)
Retained profit for the financial year	18	**7,101**	2,481

The company has no recognised gains and losses other than the profit 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.

Johnson & Johnson Limited

Balance sheet
at 3 January 1999

	Notes	1998 £'000	1997 £'000
Fixed assets			
Tangible assets	9	**13,119**	12,957
Investments	10	**6,500**	6,500
		19,619	19,457
Current assets			
Stocks	11	**9,355**	10,979
Debtors	12	**34,480**	42,473
Cash at bank and in hand		**916**	-
		44,751	53,452
Creditors: amounts falling due within one year	13	**32,886**	49,680
Net current assets		**11,865**	3,772
Total assets less current liabilities		**31,484**	23,229
Creditors: amounts falling due after more than one year	14	**853**	609
Provisions for liabilities and charges	15	**5,190**	4,280
		6,043	4,889
Net assets		**25,441**	18,340
Capital and reserves			
Called up share capital	17	**11,565**	11,565
Profit and loss account	18	**13,876**	6,775
Equity shareholders' funds	19	**25,441**	18,340

The financial statements on pages 7 to 20 were approved by the board of directors on 22 October 1999 and were signed on its behalf by:

C R Thorne

Director

Notes to the financial statements for the year ended 3 January 1999

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:

	%
Fixtures, fittings and equipment	10-33

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

Goodwill

Goodwill purchased prior to 28 December 1997 was written off immediately against reserves. Subsequent to that date any purchased goodwill is to be eliminated over its estimated useful economic life, as determined by the directors.

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 have not been included in these financial statements using the equity method of accounting. Additional information about the performance and net assets of associated undertakings have not been included in these financial statements as the results of the company and its associated undertakings are included in the consolidated financial statements of Johnson & Johnson Management Limited.

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 useful lives of equivalent owned 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 benefits 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 & Johnson, Inc., and the cash flows of the company are included in the consolidated group cash flow statement of Johnson & Johnson. Consequently the company is exempt under the terms of Financial Reporting Standard No 1 from publishing a cash flow statement.

Related party transactions

The company has taken advantage of the exemption available under Financial Reporting Standard No 8 not to disclose related party transactions with companies of which 90% or more of the voting rights are controlled within the group. The remaining disclosures required under FRS 8 are given in note 22 to the financial statements.

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:

	1998	1997
	£'000	£'000
Geographical segment		
United Kingdom	**117,222**	103,494
Rest of Europe and Middle East	**11,920**	17,484
Rest of world	**554**	440
	129,696	121,418

3 Operating profit

	1998	1997
	£'000	£'000
Turnover	**129,696**	121,418
Changes in stocks of finished goods and work in progress	**(1,624)**	(1,875)
Raw materials and consumables	**(58,345)**	(49,784)
Other external charges	**(3,228)**	(3,138)
Staff costs (see note 7)	**(8,345)**	(8,919)
Depreciation of tangible fixed assets	**(3,164)**	(2,017)
Other operating charges	**(44,693)**	(51,450)
Operating profit	**10,297**	4,235

4 Interest payable and similar charges

	1998	1997
	£'000	£'000
On amounts due to group undertakings	**589**	700
On finance leases	**82**	64
	671	764

5 Profit/(Loss) on ordinary activities before taxation

	1998 £'000	1997 £'000
Profit/(Loss) on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation charge for the year:		
Tangible owned fixed assets	**2,709**	2,017
Tangible fixed assets held under finance leases	**455**	366
Research and development expenditure	**280**	427
Auditors' remuneration for audit services	**41**	40
Hire of motor vehicles and office equipment - operating leases	**30**	21
Hire of land and buildings - operating lease	**1,691**	1,758
(Profit)/loss on disposal of fixed assets	**(21)**	(4)

The remuneration of the auditors for non audit services was £25,000 (1997: £26,000).

6 Directors' emoluments

	1998 £	1997 £
Aggregate emoluments	**306,327**	528,011

Retirement benefits are accruing to two directors (1997: 2) under the companmy's defined benefit pension schemes.

	1998 £	1997 £
Highest paid director		
Aggregate emoluments and benefits (excluding gains on exercise of share options and value of shares received) under long term incentive schemes	**205,529**	190,153
Defined benefit pension scheme:		
Accrued pension at end of year	**14,670**	9,484

7 Employee information

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

	1998 Number	1997 Number
By activity		
Production and distribution	**183**	181
Selling and marketing	**73**	87
Administration	**36**	38
Research and development	**1**	2
	293	308

	1998 £'000	1997 £'000
Staff costs (for the above persons)		
Wages and salaries	**6,709**	7,411
Social security costs	**702**	791
Other pension costs (see note 16)	**934**	717
	8,345	8,919

8 Tax charge on profit on ordinary activities

	1998 £'000	1997 £'000
United Kingdom corporation tax at 31% (1997: 31%):		
Current	**2,997**	1,266
Deferred	**(333)**	148
	2,664	1,414
Adjustments in respect of prior years:		
Current	**(240)**	(98)
Deferred	**101**	(312)
	2,525	1,004

9 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 29 December 1997	5,778	989	1,627	17,601	25,995
Additions	-	2,762	751	-	3,513
Disposals	(339)	-	(495)	(1,204)	(2,038)
Transfers	1,526	(3,307)	-	1,781	-
At 3 January 1999	**6,965**	**444**	**1,883**	**18,178**	**27,470**
Depreciation					
At 29 December 1997	3,924	-	597	8,517	13,038
Charge for year	377	-	455	2,332	3,164
Disposals	(338)	-	(436)	(1,077)	(1,851)
At 3 January 1999	**3,963**	**-**	**616**	**9,772**	**14,351**
Net book value					
At 3 January 1999	**3,002**	**444**	**1,267**	**8,406**	**13,119**
Net book value					
At 29 December 1997	1,854	989	1,030	9,084	12,957

All land and buildings are held under short term leases.

10 Fixed asset investments

This balance relates to the company's investment in 50% of the ordinary share capital of an unlimited company, Johnson & Johnson.MSD Consumer Pharmaceuticals. The investment is stated at its original cost. 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.

11 Stocks

	1998 £'000	1997 £'000
Raw materials and consumables	768	621
Work in progress	243	441
Finished goods and goods for resale	8,344	9,917
	9,355	10,979

12 Debtors

	1998 £'000	1997 £'000
Amounts falling due within one year		
Trade debtors	14,659	12,563
Amounts owed by group undertakings	15,215	26,393
Other debtors	1,464	1,234
Prepayments and accrued income	1,087	1,014
Corporation tax recoverable	1,208	655
Deferred tax asset	847	614
	34,480	42,473

13 Creditors: amounts falling due within one year

	1998 £	1997 £
Overdraft	-	10,673
Trade creditors	775	1,301
Obligations under finance leases	414	421
Amounts owed to group undertakings	16,561	24,202
Corporation tax	2,351	1,294
Other taxation and social security	897	1,521
Accruals and deferred income	11,888	10,268
	32,886	49,680

14 Creditors: amounts falling due after more than one year

	1998 £'000	1997 £'000
Obligations under finance leases	**853**	609

	1998 £'000	1997 £'000
Obligations under finance leases fall due as follows:		
In one year or less	**414**	421
Between two and five years	**853**	609
	1,267	1,030

15 Provisions for liabilities and charges

	Pensions and similar obligations (see note 16) £'000
At 29 December 1997	4,280
Transferred from/(to) profit and loss account	910
At 3 January 1999	**5,190**

A deferred tax asset of £847,000 (1997: £614,000) has been included in the balance sheet as a current asset.

Deferred taxation

Deferred taxation recognised in the financial statements, and the amount unrecognised of the total potential asset, are as follows:

	Amount recognised		Amount unrecognised	
	1998 £'000	1997 £'000	**1998 £'000**	1997 £'000
Tax deferred by:				
Accelerated capital allowances	**1,063**	1,072	**-**	(714)
Other timing differences	**(1,910)**	(1,686)	**27**	-
	(847)	(614)	**27**	(714)

16 Pension arrangements

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 separate funds.

The pension cost and funding arrangements relating to the UK schemes are assessed in accordance with the advice of an independent qualified actuary using the projected unit method. Variations in pension cost are spread over the expected service lives of current employees.

The latest valuation for funding purposes was as at 1 April 1996. It was assumed that investment returns would be 8.5% per annum and that salary increases (including promotion) would average 6.5% 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 136.5% 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 £200,765,000 on 1 April 1996.

The accounting basis differs from the funding basis in that allowance is made for the possibility of the trustees granting discretionary increases in the future and for funding purposes, any surplus is being recognised more quickly than over the average future working lifetime. The latest valuation for accounting purposes was at 1 January 1996. It was assumed that investment returns would be 9.5% per annum, that salary increases (including promotion) would average 7.5% per annum and pension increases on the excess over guaranteed minimum pensions, 5% per annum. At that date this value of assets was sufficient to cover 117% of the benefits that had accrued to members after allowing for expected future increases in earnings.

The total pension cost charged for the year in these financial statements amounted to £933,945 (1997: £716,552).

The Company has made a provision of £5,190,495 (1997: £4,279,988), this being the excess of the accumulated pension cost over the amount funded.

17 Called up share capital

	1998 £'000	1997 £'000
Authorised		
18,000,000 ordinary shares of £1 each	**18,000**	18,000
Allotted, called up and fully paid		
11,564,613 ordinary shares of £1 each	**11,565**	11,565

18 Profit and loss account

	1998 £'000	1997 £'000
At 29 December 1997	**6,775**	4,294
Retained profit for the year	**7,101**	2,481
At 3 January 1999	**13,876**	6,775

19 Reconciliation of movements in shareholders' funds

	1998 £'000	1997 £'000
Opening shareholders' funds	**18,340**	15,859
Profit for the financial year	**7,101**	2,481
Goodwill written off in the year	**-**	-
Closing shareholders' funds	**25,441**	18,340

20 Capital commitments

	1998 £'000	1997 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	**497**	888

21 *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 £1,691,000 (1997: £1,373,000). 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 3 January 1999 the company had annual commitments under non-cancellable operating leases for motor vehicles and equipment as follows:

	1998	1997
	£'000	£'000
Expiring within one year	1	13
Expiring between two and five years inclusive	-	1
	1	14

22 Ultimate and immediate parent companies

The directors regard Johnson & Johnson, a company registered in the United States of America, as the ultimate parent company and ultimate controlling party. 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 & Johnson Management Limited, registered in Great Britain. The immediate parent's consolidated financial statements may be obtained from Johnson & Johnson Management Limited, Foundation Park, Roxborough Way, Maidenhead.