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Johnson & Johnson Limited

Annual report
for the year ended 1 January 1995

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COMPANIES HOUSE 31/10/95

Directors and advisers

Directors

Mr G D Bembridge
Mr J S F Cunningham
Mr R Dunphy
Mr D J Dutilloy (French)
Mr H Gagnum (Norwegian)
Dr J Hopkins
Mr T T McManus (Managing Director)
Mr V P Pender
Ms V A Thomas

Secretary and registered office

Mr C Thorne
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

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

National Westminster Bank Plc
High Street
Epsom
Surrey KT19 8DX

Directors' report for the year ended 1 January 1995

The directors present their report and the audited financial statements for the year ended 1 January 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.

During the year the company acquired the business of another group company, Laboratoires RoC (U.K.) Limited. Details of the net assets acquired are set out in note 20 to the financial statements.

Dividends and transfers to reserves

The directors do not recommend payment of a dividend this year (1993: £5,300,000 representing £0.46 per share). The profit for the financial year of £3,175,000 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 note 11 to the financial statements.

Directors and Secretary

The directors of the company at 1 January 1995, all of whom have been directors for the whole of the year ended on that date other than Mr T T McManus and Mr D J Dutilloy, who were appointed on 1 February 1994 and 7 October 1994 respectively, are listed on page 1.

Mr I Holzman and Mr J M Wale, who were directors at 3 January 1994, resigned from the board on 31 January 1994.

Dr J Hopkins and Mr H Gagnum resigned for the board on 15 April 1995. Mr T T McManus resigned from the board on 3 October 1995.

Mr M Head was appointed as a director on 4 October 1995.

Mr B M Scoones resigned as Company Secretary on 30 September 1994, and Mr C R Thorne was appointed in his place on 1 October 1994.

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 1 January 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. Charitable contributions amounted to £22,442 (1993: £61,000).

Employee involvement

The company is committed to the continued provision and development of employee involvement by an effective communications and consultative framework. Briefing meetings and consultative committees covering broad business areas, pensions, health and safety, quality and employee services are well established and meet 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 1 January 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

C Thorne

C Thorne
Secretary
30 October 1995

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 1 January 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 1995

Profit and loss account for the year ended 1 January 1995

	Notes	1994 £'000	1993 £'000
Turnover - continuing operations	2	80,043	68,575
Operating profit - continuing operations	3	5,028	6,904
Exceptional restructuring costs	4	(1,000)	-
Interest receivable and similar income		1,432	1,234
Interest payable and similar charges	5	(1,217)	(939)
Profit on ordinary activities before taxation	6	4,243	7,199
Taxation	9	(1,068)	(2,573)
Profit for the financial year		3,175	4,626
Dividend paid	10	-	(5,300)
Retained profit/(loss) for the year	21	3,175	(674)

Statement of retained profits

At 3 January 1994	2,242	2,916
Retained profit/(loss) for the year	3,175	(674)
At 1 January 1995	5,417	2,242

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 1 January 1995

	Notes	1994 £'000	1993 £'000
Fixed assets			
Tangible assets	11	8,225	8,707
Investments	12	4,000	1,000
		12,225	9,707
Current assets			
Stocks	13	8,505	5,758
Debtors	14	13,707	10,008
Cash at bank and in hand		22,224	19,673
		44,436	35,439
Creditors: amounts falling due within one year	15	36,676	28,619
Net current assets		7,760	6,820
Total assets less current liabilities		19,985	16,527
Creditors: amounts falling due after more than one year	16	407	508
Provisions for liabilities and charges	17	2,596	2,212
		3,003	2,720
Net assets		16,982	13,807
Capital and reserves			
Called-up share capital	19	11,565	11,565
Profit and loss account		5,417	2,242
Equity shareholders' funds	21	16,982	13,807

The financial statements on pages 6 to 20 were approved by the board of directors on 30 October 1995 and were signed on its behalf by:

J S F Cunningham
Director

Notes to the financial statements for the year ended 1 January 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 financial statements do not consolidate the results of the undertakings because the company is part of the Johnson & Johnson Management Limited group, which prepares consolidated 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:

	1994 £'000	1993 £'000
Geographical segment		
United Kingdom	63,425	55,532
Rest of Europe and Middle East	15,365	12,333
Rest of world	1,253	710
	80,043	68,575

3 Operating profit - continuing operations

	1994 £'000	1993 £'000
Turnover	80,043	68,575
Change in stocks of finished goods and work in progress	(2,477)	1,344
Raw materials and consumables	(36,366)	(25,084)
Other external charges	(4,508)	(1,887)
Staff costs (see note 8)	(9,204)	(9,570)
Depreciation of tangible fixed assets	(2,602)	(1,804)
Other operating charges	(19,858)	(24,670)
Operating profit	5,028	6,904

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, Laboratoires RoC (U.K.) Limited (see note 20).

5 Interest payable and similar charges

	1994 £'000	1993 £'000
On loans from group undertakings	1,139	780
On loans wholly repayable within 5 years, not by instalments	2	39
On finance leases	76	120
	1,217	939

6 Profit on ordinary activities before taxation

	1994 £'000	1993 £'000
Profit on ordinary activities before taxation is stated after charging:		
Depreciation charge for the year:		
Tangible owned fixed assets	2,287	1,556
Tangible fixed assets held under finance leases	315	248
Research and development expenditure	954	877
Auditors' remuneration for audit services	36	37
Hire of motor vehicles and office equipment	14	43
Lease of land and buildings	1,403	1,083
Directors' emoluments (see note 7)	802	653
Loss on disposal of fixed assets	141	21

The remuneration of the auditors for non audit services was £67,000 (1993: £23,325).

7 Directors' emoluments

	1994 £'000	1993 £'000
Fees	557	550
Other emoluments (including pension contributions and benefits in kind)	245	103
	802	653

Fees and other emoluments (excluding pension contributions) include amounts paid to:

	1994 £	1993 £
The chairman	-	-
The highest paid director	131,981	153,958

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:

	1994 Number	1993 Number
£0 to £5,000	1	2
£10,001 to £15,000	1	-
£65,001 to £70,000	-	1
£70,001 to £75,000	-	2
£75,001 to £80,000	-	2
£80,001 to £85,000	-	1
£95,001 to £100,000	2	-
£100,001 to £105,000	2	-
£110,001 to £115,000	2	-
£130,001 to £135,000	1	-
£150,001 to £155,000	-	1

8 Employee information

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

	1994 Number	1993 Number
By activity		
Production and distribution	186	219
Selling and marketing	98	59
Administration	41	50
Research and development	15	14
	340	342

	1994 £'000	1993 £'000
Staff costs (for the above persons)		
Gross wages and salaries	7,784	8,193
Employer's national insurance and state pension contributions	654	609
Employer's pension contributions under the company pension scheme (see note 18)	766	768
	9,204	9,570

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 Taxation

	1994 £'000	1993 £'000
Current year:		
United Kingdom corporation tax at 33% (1993: 33%):		
Based on profit for the year	1,781	2,533
Transfer from deferred taxation	(364)	62
	1,417	2,595
Adjustments in respect of prior years:		
Corporation tax	(331)	(22)
Transfer from deferred taxation	(18)	-
	1,068	2,573

10 Dividends

	1994 £'000	1993 £'000
Final dividend declared and paid of nil per share (1993: 46p per share)	-	5,300

11 Tangible fixed assets

	Land and buildings £'000	Capital assets under construction £'000	Assets held under finance leases £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost					
At 3 January 1994	5,294	1,619	1,397	7,415	15,725
Additions	105	621	301	1,418	2,445
Transfers	-	(1,619)	-	1,619	-
Transfers from affiliates	-	-	70	-	70
Disposals	(73)	-	(347)	(538)	(958)
At 1 January 1995	**5,326**	**621**	**1,421**	**9,914**	**17,282**
Depreciation					
At 3 January 1994	2,774	-	399	3,845	7,018
Charge for year	322	-	315	1,965	2,602
Transfers from affiliates	-	-	30	-	30
Eliminated in respect of disposals	(45)	-	(195)	(353)	(593)
At 1 January 1995	**3,051**	**-**	**549**	**5,457**	**9,057**
Net book value					
At 1 January 1995	**2,275**	**621**	**872**	**4,457**	**8,225**
Net book value					
At 3 January 1994	2,520	1,619	998	3,570	8,707

All land and buildings are held under short term leases.

12 Fixed asset investments

	Associated undertakings £'000
At 3 January 1994	1,000
Additions	3,000
At 1 January 1995	4,000

The above relates to the company's investment in 50% of the ordinary share capital of an unlimited company, Centra Healthcare. The company has acquired a further 3,000,000 shares of £1 each, at par, during the year and continues to hold a 50% share. The registered office of Centra Healthcare is at Enterprise House, Station Road, Loudwater, Buckinghamshire.

13 Stocks

	1994 £'000	1993 £'000
Raw materials and consumables	1,612	874
Work in progress	253	108
Finished goods and goods for resale	6,640	4,776
	8,505	5,758

14 Debtors

	1994 £'000	1993 £'000
Amounts falling due within one year		
Trade debtors	8,700	8,069
Amounts owed by group undertakings	4,196	1,169
Other debtors	487	241
Prepayments and accrued income	324	529
	13,707	10,008

15 Creditors: amounts falling due within one year

	1994 £'000	1993 £'000
Bank loans and overdrafts	-	512
Trade creditors	7,714	3,990
Obligations under finance leases	465	490
Amounts owed to group undertakings	25,364	18,494
Corporation tax	1,443	1,920
Other taxation and social security payable	535	1,456
Accruals and deferred income	1,155	1,757
	36,676	28,619

16 Creditors: amounts falling due after more than one year

	1994 £'000	1993 £'000
Obligations under finance leases	407	508

Obligations under finance leases fall due as follows:

In one year or less	514	568
Between two and five years	444	565
	958	1,133
Finance charges allocated to future periods	(86)	(135)
	872	998
Due within one year	465	490
Due after more than one year	407	508
	872	998

17 Provisions for liabilities and charges

	Pensions and similar obligations (see note 18) £'000	Deferred taxation (see below) £'000	Total £'000
At 3 January 1994	1,481	731	2,212
Transferred from/(to) profit and loss account	766	(382)	384
At 1 January 1995	**2,247**	**349**	**2,596**

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	
	1994 £'000	1993 £'000	1994 £'000	1993 £'000
Tax deferred by:				
Accelerated capital allowances	876	1,200	-	100
Other timing differences	(527)	(469)	(386)	-
	349	731	(386)	100

18 Pension commitments

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 £766,310 (1993: £767,840).

The Company has made a provision of £2,247,533 (1993: £1,481,223), this being the excess of the accumulated pension cost over the amount funded.

19 Called-up share capital

	1994 £'000	1993 £'000
Authorised		
18,000,000 ordinary shares of £1 each	18,000	18,000
Allotted, called up and fully paid		
11,564,613 (1993: 11,564,613) ordinary shares of £1 each	11,565	11,565

20 Purchase of the business of fellow subsidiary company

On 1 October 1994, the company purchased the business of a fellow subsidiary, Laboratoires RoC (U.K.) Limited. The principal activity acquired is the wholesale distribution and promotion of hypoallergenic cosmetic products.

03-11-95

The net assets of the business were acquired at book value, in consideration for an intercompany loan, and are summarised below:

	£'000
Tangible fixed assets	202
Stocks	250
Debtors	591
Cash	111
Creditors	(1,019)
	135

21 Reconciliation of movements in shareholders' funds

	1994 £'000	1993 £'000
Opening shareholders' funds	13,807	14,481
Profit/(loss) for the financial year	3,175	(674)
Closing shareholders' funds	16,982	13,807

22 Capital commitments

	1994 £'000	1993 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	186	236
Capital expenditure that has been authorised by the directors but has not yet been contracted for	479	76

23 Contingent liabilities

	1994 £'000	1993 £'000
Indemnity bonds for temporary importation and performance	352	415

24 Financial commitments

The company leases land and buildings on short term leases. The annual rental payable under these leases amounts to £1,403,000 in 1995 (1994: £1,257,000). 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. The head office lease has recently been re-negotiated for a further five years.

At 1 January 1995 the company had annual commitments under non-cancellable operating leases for equipment as follows:

	1994 £'000	1993 £'000
Expiring within one year	-	-
Expiring between two and five years inclusive	14	5
	14	5

25 Ultimate and immediate parent companies

The directors regard Johnson & Johnson, Inc., 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, Inc., 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.