

Registered no: 603028

Johnson & Johnson Consumer Services EAME Ltd
Annual Report
for the year ended 28 December 2003



Johnson & Johnson Consumer Services EAME Ltd

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Johnson & Johnson Consumer Services EAME Ltd

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Directors and advisers

Directors

Mrs V J Dawkins
Mr C R Thorne

Secretary and registered office

Mr C R Thorne
Foundation Park
Roxborough Way
Maidenhead
Berkshire SL6 3UG

Registered auditors

PricewaterhouseCoopers LLP
9 Greyfriars Road
Reading
Berkshire RG1 1JG

Solicitors

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

Bankers

Royal Bank of Scotland Plc
Corporate Banking Office
P O Box 450
5-10 Great Tower Street
London EC3P 3HX

Directors' report for the year ended 28 December 2003

The directors present their report and the audited financial statements of the company for the year ended 28 December 2003.

Principal activities

The principal activity of the company is to act as a central cost-sharing entity for regionally-incurred costs.

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.

Results and Dividends

The profit and loss account for the year is set out on page 5.

The directors do not recommend payment of a dividend in respect of the year ended 28 December 2003 (2002: £nil).

Directors and Secretary

The directors who held office during the year are given below :-

Mr C R Thorne (Company Secretary)
Mrs V J Dawkins

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 28 December 2003, 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. The directors are exempt, by statutory instrument, from disclosing their interests in the shares of the ultimate parent company as it is registered outside the United Kingdom

Charitable contributions

Charitable contributions amounted to £nil (2002 £nil).

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.

Policy and practice on payment of creditors

The company's policy in respect of its' suppliers is to settle the terms of payment with those suppliers when agreeing the terms of each transaction.

Statement of 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. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 28 December 2003 and that applicable accounting standards have been followed.

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.

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

On behalf of the board



Mr C R Thorne
Secretary

Independent Auditors' report to the members of Johnson & Johnson Consumer Services EAME Ltd

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

Respective responsibilities of directors and auditors

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

Basis of audit opinion

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

We planned and performed our audit so as to obtain all the information and explanations which are 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 28 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Reading

28 October 2004

**Profit and loss account
for the year ended 28 December 2003**

		2003	Restated 2002
	<i>Notes</i>	£'000	£'000
Turnover	2	51,636	48,035
Operating expenses		(49,327)	(45,116)
Operating profit		2,309	2,919
Interest payable and similar charges	3	(29)	-
Profit on ordinary activities before taxation	4	2,280	2,919
Tax on profit on ordinary activities	7	32	(905)
Profit for the financial year	14	2,312	2,014

All results arise from continuing activities.

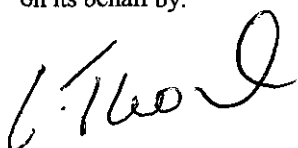
The company has no recognised gains and losses other than the loss above and therefore no separate statement of total recognised gains and losses has been presented.

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

Balance sheet
at 28 December 2003

		2003	Restated 2002
	Notes	£'000	£'000
Fixed assets			
Tangible assets	8	1,479	2,086
Current assets			
Debtors	9	31,760	26,882
Cash at bank and in hand		1	-
		31,761	26,882
Creditors: amounts falling due within one year	10	(24,215)	(21,054)
Net current assets		7,546	5,828
Total assets less current liabilities		9,025	7,914
Creditors: amounts falling due after more than one year		-	-
Provisions for liabilities and charges	11	(4,699)	(5,900)
Net assets		4,326	2,014
Capital and reserves			
Called up share capital	13	-	-
Profit and loss account	14	4,326	2,014
Equity shareholders' funds	15	4,326	2,014

The financial statements on pages 5 to 16 were approved by the board of directors on 27/10/04 and were signed on its behalf by:



C R Thorne
Director

Notes to the financial statements for the year ended 28 December 2003

1 Principal accounting policies

The financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards. The principal accounting policies are set out below.

Research and development

Research and development expenditure is written off as it is incurred. Prior year's expenditure was incurred and disclosed in the financial statements of Johnson & Johnson Ltd

Turnover

Turnover represents income received in respect of amounts recharged to fellow group companies for expenses incurred by the company and is all generated in the United Kingdom.

Tangible fixed assets

The cost of new 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	33
Leasehold Improvements	Shorter of lease term and 10 years

Prior year restatement

The fixed asset values have been restated to reflect a change in the treatment of certain leases. Such assets had previously been recorded as assets held under finance leases but have been reclassified to assets held under operating leases.

The financial impact of this restatement for the prior year is to reduce the net book value of fixed assets by £607,817. The impact on creditors was a reclassification to amounts due to fellow group companies from amounts due after one year of £289,000 and for amounts due within one year of £318,000.

The impact on the profit and loss account is a reclassification of expense items from depreciation to operating lease rentals within operating expenses. In addition, interest expense has also been reclassified into operating expenses. This reclassification is not considered to be material.

Operating Leases

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term.

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.

Deferred taxation

Provision is made for deferred tax liabilities; and assets only to the extent that the directors consider it more likely than not that there will be suitable profits from which the future reversal of the timing differences can be deducted, in accordance with FRS 19.

Deferred tax is measured at the average tax rates that are expected to apply in the periods to which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Pension arrangements

The company participates in the Johnson & Johnson UK Group (UK Group) Pension arrangements. The UK Group operates a funded defined benefit pension scheme and defined contribution scheme for all UK employees. New entrants aged 35 or over are eligible to join the funded defined benefit scheme, and new entrants aged under 35 are eligible to join the defined contribution scheme. There is also an unfunded, unapproved pension arrangement for a small number of employees who are affected by the Inland Revenue earnings cap. The cost of providing future benefits is estimated by independent, qualified actuaries and spread as a substantially level percentage of total pensionable salaries over the expected service lives of current employees in accordance with the provisions of SSAP24. Variations in pension cost are spread over the expected service lives of current employees.

The transitional disclosure requirements of Financial Reporting Standard 17 (Retirement Benefits) are set out in note 12 to the financial statements.

Cash flow statement

The company is a wholly owned subsidiary of Johnson & Johnson, 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 18 to the financial statements.

2 Turnover

Turnover represents income received in respect of amounts charged to fellow group companies for services provided and expenses incurred by the company and is generated wholly in the United Kingdom and is wholly intercompany.

3 Interest payable and similar charges

	2003	Restated 2002
	£'000	£'000
On amounts due to Group Undertakings	29	-

4 Profit on ordinary activities before taxation

	2003	Restated 2002
	£'000	£'000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation charge for the year:		
Tangible owned fixed assets	919	1,014
Research and development expenditure	224	-
Severance costs	131	449
Operating lease charges:		
Plant & machinery	285	260
Other	116	-
Profit on disposal of fixed assets	-	(6)

Auditors' remuneration is borne by a fellow group company.

5 Directors' emoluments

All directors' emoluments are paid through Johnson & Johnson Limited and are disclosed in the financial statements of that company. Mr C R Thorne did not receive any emoluments for his services to the company.

6 Employee information

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

	2003	2002
	Number	Number
By activity		
Production and distribution	35	30
Selling and marketing	40	27
Administration	56	48
	131	105

The total costs associated with these employees were recharged to an affiliate.

	2003	2002
	£'000	£'000
Staff costs (for the above persons)		
Wages and salaries	9,216	7,620
Social security costs	1,346	599
Other pension costs (see note 12)	727	390
	11,289	8,609

7 Taxation on profit for the year

	2003	2002
	£'000	£'000
Current tax		
UK corporation tax on profits for the period	(96)	2,618
Adjustments in respect of prior periods	(205)	-
Tax on profit on ordinary activities	(301)	2,618
Deferred tax:		
Origination and reversal of timing differences	969	(1,713)
Deferred tax – prior year adjustment	(700)	-
Total deferred tax charge	269	(1,713)
Tax on profit on ordinary activities	(32)	905

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below.

	2003	2002
	£'000	£'000
Profit on ordinary activities before tax	2,280	2,919
Profit on ordinary activities multiplied by standard rate in the UK 30% (2002 : 30%)	685	876
Effects of:		
Expenses not deductible for tax purposes	39	29
Accelerated capital allowances and other timing differences	(820)	1,713
Adjustments in respect of prior years	(205)	-
Current tax charge for the period	(301)	2,618

8 Tangible fixed assets

	Leasehold Improvements £'000	Capital assets under construction £'000	Fixtures, fittings and equipment £'000	Assets held under finance leases £'000	Total (Restated) £'000
Cost					
At 30 December 2002 as previously reported	1,702	93	2,639	993	5,427
Prior year adjustment	-	-	-	(993)	(993)
At 30 December 2002	1,702	93	2,639	-	4,434
Additions	-	178	-	-	178
Adjustment	107	-	847	-	954
Transfers	103	(269)	166	-	-
At 28 December 2003	1,912	2	3,652	-	5,566
Accumulated depreciation					
At 30 December 2002 as previously reported	621	-	1,727	386	386
Prior year adjustment	-	-	-	(386)	(386)
At 30 December 2002	621	-	1,727	-	2,348
Charge for year	174	-	745	-	919
Adjustment	115	-	705	-	820
At 28 December 2003	910	-	3,177	-	4,087
Net Book Amount					
At 28 December 2003	1,002	2	475	-	1,479
Net book amount					
At 30 December 2002 (as previously reported)	1,081	93	912	607	2,693
At 30 December 2002	1,081	93	912	-	2,086

Fixed assets have been restated to reflect a change in treatment of certain leases, previously recorded as finance leases, to operating leases, as explained in note 1.

9 Debtors

	2003 £'000	2002 £'000
Amounts falling due within one year		
Amounts owed by group undertakings	29,565	24,627
Other debtors	230	253
Prepayments and accrued income	521	289
Deferred taxation	1,444	1,713
	31,760	26,882

Amounts owed by group undertakings are unsecured, interest free and have no fixed date of repayment.

10 Creditors: amounts falling due within one year

	2003	Restated 2002
	£'000	£'000
Trade creditors	1,428	438
Amounts owed to group undertakings	13,409	9,964
Corporation tax	1,712	2,608
Other taxation and social security	-	29
Accruals and deferred income	7,666	8,015
	24,215	21,054

Amounts owed to group undertakings are unsecured, interest free and have no fixed date of repayment.

11 Provisions for liabilities and charges

	Pension obligations (see note 12)	Share Options	Restated Total
	£'000	£'000	£'000
At 30 December 2002	3,327	2,573	5,900
Charged to the profit and loss account	727	413	1,140
Utilised during the year	(598)	(1,743)	(2,341)
At 28 December 2003	3,456	1,243	4,699

The share options liability will require a transfer of economic benefits only once the related options have been exercised, which will occur over a maximum of nine years after the balance sheet date.

Deferred taxation

Deferred taxation recognised and unrecognised are as follows:

	Amount recognised		Amount unrecognised	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Tax deferred by:				
Accelerated capital allowances	16	(72)	-	-
Other timing differences	(1,460)	(1,641)	-	-
	(1,444)	(1,713)	-	-

Provision for deferred tax

The movement in deferred taxation during the current year is as follows:

	2003 £'000
At 30 December 2002	1,713
Charge to profit and loss account	(269)
At 28 December 2003	1,444

The deferred tax asset has been recognised as the directors of the company consider that it is more likely than not that the asset will crystallise in the future.

12 Pension arrangements

The company has continued to account for pensions in accordance with SSAP24 (Accounting for Pension Costs) and the disclosures given in (a) below are those required by that standard. Additionally the company has set out in (b) below the disclosures required under the transitional arrangement FRS 17 (Retirement Benefits)

(a) Accounting for Pension Costs

The company participates in the Johnson & Johnson UK Group Pension Arrangements. The UK Group operates a funded defined benefit pension plan for UK employees and, until 1 September 2002, a small supplementary arrangement for directors which merged with the main plan on this date. There is also an unfunded unapproved pension arrangement for a small number of employees who are affected by the Inland Revenue Earnings Cap. The assets of the funded 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 a qualified actuary using the Projected Unit Method. This method allows for future growth in pensionable earnings. It allows for any surplus or deficit arising to be spread over the expected service lives of current employees.

The latest actuarial valuation of the main plan was as at 1 April 2002. The principal assumptions were that investment returns would be 7.25% per annum, that salary increases (including promotion) would average 4.25% per annum and long-term inflation would average 2.75%. Assets were taken at market value. At the valuation date, the market value of assets value was sufficient to cover 118% of the benefits that had accrued to members after allowing for expected future increases in earnings. The market value of the assets for the main Plan was £396,309,447 on 1 April 2002.

The pension cost across all arrangements under SSAP 24 has been assessed using the same assumptions as outlined above. For the year of these financial statements the total charge amounted to £727,390.

In respect of all arrangements the company has made a provision of £3,456,312, this being the excess of the accumulated pension cost over the amount funded, together with the reserve held in respect of the unfunded arrangement. The aggregate pension scheme deficit for the whole UK Group, at 28 December 2003, was £40.6m deficit (2002: £49.3m deficit)

(b) FRS 17 Retirement Benefits

Since more than one employer participates in the UK Group's pension arrangements, the Company is unable to separately identify its share of the surplus, with the exception of the unfounded scheme outlined above. Accordingly, under the provisions of FRS 17 the funded scheme will be accounted for in the Company as if it were a defined contribution scheme.

As outlined above, there is an unfunded unapproved pension arrangement for a small number of employees who are affected by the Inland Revenue Earnings Cap. The FRS 17 liability in respect of each company under this

arrangement can be separately identified and, accordingly, the FRS 17 disclosures for this scheme are set out below. As at 28 December 2003 the FRS 17 liability of this unfunded scheme (representing the present value of scheme liabilities) for the Company was £246,000 (net of a related deferred tax asset of £74,000) (2002: liability of £118,000 (net of a related deferred tax asset of £35,000)). The financial assumptions used to calculate the scheme liabilities for this unfunded scheme under FRS 17 are:

Valuation method	Projected unit 2003	Projected unit 2002
Discount rate	5.75%	6.00%
Inflation rate	2.25%	2.25%
Salary increases	3.50%	3.50%

If the unfunded schemes had been recognised in the financial statements under FRS17, the company's net assets and profit and loss reserve at 28 December 2003 would have been reported as follows:

	2003 £'000	2002 £'000
Net assets		
Net assets (excluding SSAP 24 pension scheme liabilities and related deferred tax asset)	6,745	5,341
Unfunded scheme pension liability	(246)	(118)
Net assets including unfunded scheme pension liability	6,991	5,459

	2003 £'000	2002 £'000
Reserves		
Profit and loss reserve (excluding SSAP 24 pension scheme liabilities and related deferred tax asset)	6,745	5,341
Unfunded scheme pension liability	(246)	(118)
Profit and loss reserve including unfunded scheme pension liability	6,991	5,459

	2003 £'000	2002 £'000
Analysis of the amount charged to operating profit		
Current service cost	58	168
Total operating charge	58	168

	2003 £'000	2002 £'000
Other finance expense		
Interest on pension scheme liabilities	7	-
Net cost	7	-

	2003 £'000	2002 £'000
Statement of total recognised gains and losses		
Experience gains and losses arising on the scheme liabilities	(43)	(50)
Actuarial gains recognised in STRGL	(43)	(50)

	2003	2002
	£'000	£'000
Movement in deficit during the year		
Deficit in scheme at beginning of year	(118)	-
Movement in year:		
Current service cost	(58)	(168)
Other finance costs	(7)	-
Change in Assumption	(20)	-
Actuarial gain	(43)	50
Deficit in scheme at end of year	(246)	(118)

	2003	2002
History of experience gains and losses		
Experience gains and losses on scheme liabilities:		
Amount (£'000)	(43)	50
Percentage of present value of scheme liabilities	17.5	42.4
Total amount recognised in statement of total recognised gains and losses:		
Amount (£'000)	(43)	50
Percentage of the present value of scheme liabilities	17.5	42.4

13 Called up share capital

	2003	2002
	£'000	£'000
Authorised		
50,000 ordinary shares of £1 each	50	50
Allotted and fully paid		
100 ordinary shares of £1 each	-	-

14 Profit and loss account

	2003	2002
	£'000	£'000
At 30 December 2002	2,014	-
Retained profit for the year	2,312	2,014
At 28 December 2003	4,326	2,014

15 Reconciliation of movements in shareholders' funds

	2003	2002
	£'000	£'000
Profit for the financial year	2,312	2,014
Opening shareholders' funds	2,014	-
Closing shareholders' funds	4,326	2,014

16 Capital commitments

	2003	2002
	£'000	£'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	181	174

17 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 £461,000 (2002: £nil). The rents payable under these leases are subject to re-negotiation at various intervals specified in the leases. The company pays all insurance, maintenance and repairs of these properties.

18 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 England and Wales. The immediate parent's consolidated financial statements may be obtained from The Company Secretary, Johnson & Johnson Management Limited, Foundation Park, Roxborough Way, Maidenhead SL6 3UG.