

Registered no 603028

Johnson & Johnson Consumer Services EAME Limited
Annual Report
for the period ended 30 December 2007

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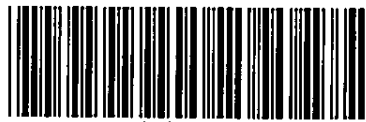


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Johnson & Johnson Consumer Services EAME Limited

Annual report for the period ended 30 December 2007

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Johnson & Johnson Consumer Services EAME Limited ¹

Directors and advisors

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 LLP
One Silk Street
London EC2Y 8HQ

Bankers

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

Johnson & Johnson Consumer Services EAME Limited ²

Directors' report for the period ended 30 December 2007

The directors present their report and the audited financial statements of the company for the period ended 30 December 2007

Business Review and principal activities

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

The results for the company show a pre-tax profit of €3,203,000 (2006 €3,651,000) for the period and sales of €154,178,000 (2006 €104,928,000)

Future Outlook

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

Key performance indicators ("KPIs")

The directors of Johnson & Johnson Consumer EAME Limited manage the company's operations on a divisional basis. The business is managed using a set of financial and non-financial performance measures. These measures are reviewed regularly and used in making tactical and strategic decisions affecting the short and long-term results of the business.

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of changes in liquidity risk and interest rate risk.

Liquidity risk

The company is funded within the Johnson & Johnson group of companies. Its funding requirements are reviewed regularly by both the board of directors and the Treasury department of Johnson & Johnson to ensure the company has sufficient available funds for operations and planned expansions.

Interest rate cash flow risk

The company has both interest bearing assets and interest bearing liabilities. Interest bearing assets earn interest at a variable rate.

Foreign exchange risk

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. The company has no forward contracts to disclose. All exchange differences are included in the profit and loss account.

Directors and secretary

The directors of the company at 30 December 2007, both of whom have been directors for the whole of the period ended on that date, unless otherwise indicated, are listed below.

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

Johnson & Johnson Consumer Services EAME Limited ³

Results and Dividends

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

The directors do not recommend payment of a dividend in respect of the period ended 30 December 2007 (2006 € nil)

Qualifying third party indemnity provisions

At the time the report was approved there were no qualifying third party indemnity provisions in place for the benefit of one or more of the directors

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. All expenditure incurred within Johnson & Johnson Consumer Services EAME Limited is for Regulatory Affairs. Hence, amounts written off to the profit and loss account in the period amount to €8,736,000 (2006 €630,000)

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

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

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing those financial statements, the directors are required to

- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,

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- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary

The directors confirm that they have complied with the above requirements in preparing the financial statements

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 and disclosure of information to auditors

So far as each director is aware, there is no relevant audit information (that is, information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware. Each director has taken all the steps that he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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



Mrs V J Dawkins
Director

Independent auditors' report to the members of Johnson & Johnson Consumer Services EAME Limited

We have audited the financial statements of Johnson & Johnson Consumer Services EAME Limited for the period ended 30 December 2007, which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland). 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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.

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Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 December 2007 and of its profit for the period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Reading

16 September 2008

Johnson & Johnson Consumer Services EAME Limited ⁷

Profit and loss account for the period ended 30 December 2007

		2007 €'000	2006 €'000
Continuing operations	Notes		
Turnover	2	154,178	104,928
Operating expenses		(146,360)	(103,687)
Exceptional operating expenses - administrative expenses	4	-	2,438
Total operating expenses		(146,360)	(101,249)
Operating profit	4	7,818	3,679
Interest payable and similar charges	3	(4,615)	(28)
Profit on ordinary activities before taxation		3,203	3,651
Tax on profit on ordinary activities	7	(708)	(707)
Profit for the financial period	16	2,495	2,944

The company's results are derived entirely from continuing operations

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

Statement of total recognised gains and losses for period ended 30 December 2007

		2007 €'000	2006 €'000
	Notes		
Profit for the financial period		2,495	2,944
Actuarial gain on pension scheme	13	21	73
Movement on deferred tax relating to pension liability	12	(6)	(22)
Total recognised gains relating to the period		2,510	2,995

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Balance sheet as at 30 December 2007

	Notes	2007 €'000	2006 €'000
Fixed assets			
Tangible assets	8	61,056	40,244
Current assets			
Debtors	9	64,976	42,096
		64,976	42,096
Creditors: amounts falling due within one year	10	(97,701)	(57,761)
Net current assets		(32,725)	(15,665)
Total assets less current liabilities		28,331	24,579
Provisions for liabilities and charges	11	(762)	(796)
Net assets excluding pension liability		27,569	23,783
Pension liability	13	-	(171)
Net assets including pension liability		27,569	23,612
Capital and reserves			
Called-up share capital	14	-	-
Other reserves	16	9,157	7,710
Profit and loss account	16	18,412	15,902
Equity shareholders' funds	17	27,569	23,612

The financial statements on pages 7 to 23 were approved by the board of directors on 15th September 2008 and were signed on its behalf by



Mrs V J Dawkins
Director

**Notes to the financial statements
for the period ended 30 December 2007**

1 Principal accounting policies

Basis of accounting

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.

Consolidated financial statements

The company and its subsidiary undertakings are included in the full consolidation of the financial statements of its ultimate parent, Johnson & Johnson. In accordance with the provisions of S228A of the Companies Act 1985, group financial statements have not been prepared.

Functional Currency

The directors consider Euros to be the functional currency of the company and have therefore selected Euros as the presentational currency for the financial statements.

Share-based payment

The ultimate parent company, Johnson & Johnson, operates equity-settled, share-based compensation plans. Certain employees of the company are awarded options over the shares in the ultimate parent. The fair value of the employee services received in exchange for these grants of options is recognised as an expense, with a corresponding increase in Other Reserves (representing a capital contribution by the ultimate parent). The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the company revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to Other Reserves.

In accordance with FRS 20, fair value calculations have only been made in respect of share options awarded after 7 November 2002 that remain unvested at 1 January 2006. For all other options awarded prior to 7 November 2002, the company recognises within Other Reserves the potential recharge from the ultimate parent company for the cost of options outstanding at the period end (based upon the difference between the option exercise prices and the market value at the period end). It has been agreed that the company will no longer be recharged on the exercise of options granted before 1 January 2000. Movements in the underlying potential recharge are reflected in the profit and loss account for the period.

Upon exercise, Johnson & Johnson makes a recharge to the company in respect of share options granted to the company's employees. When incurred, these intercompany charges are offset in Other Reserves against the relevant capital contribution. If the amount of the intercompany charge exceeds the original capital contribution, that excess is treated as a distribution from the company to its parent.

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Employer's National Insurance on share options

Under unapproved share option schemes, the company is required to pay National Insurance on the difference between the exercise price and market value at the exercise date of the shares issued. The company becomes unconditionally liable to pay the National Insurance upon exercise of the options. The company therefore calculates the provision by applying the latest enacted National Insurance rate to the difference between the market value of the underlying options at the balance sheet date and the option exercise prices. A full provision is made upon grant of the option as there is no underlying performance period. The amount of the National Insurance actually payable will depend on the number of employees who remain with the company and exercise their options, the market price of the ultimate parent company's shares at the time of exercise and the prevailing National Insurance rates at the time.

Cash-based payment

In addition, the Company's employees may be eligible to receive Certificates of Extra Compensation (CEC's).

CEC's may be granted by the Company if it wishes to reward an employee for faithful service in the past and to encourage employees in their future work by permitting them to share in the growth and success of the Company's enterprises by issuing to them Units of Agreements of Additional Remuneration ("AAR Units") and to that end receive as extra compensation sums based upon and measured by (a) the amount of cash dividends from time to time declared upon an equal number of shares of common stock of the Company and (b) by the formula value of AAR Units as established in the AAR agreement, at the time of termination of employment or death while in such employment.

Research and development

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

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 expected useful economic lives are as follows:

Fixtures, fittings and equipment	3 years
Computer equipment	5 years

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

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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 Retirement Plan. 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.

More than one employer participates in the Johnson & Johnson UK Group Retirement Plan and because the assets attributable to each individual company cannot be identified on a consistent and reasonable basis, each company's share of the deficit cannot be identified. Under FRS 17, the company is therefore accounting for its contributions to the scheme as if it were a defined contribution scheme. Accordingly the cost to the company in respect of the scheme is equal to the contributions payable to the scheme during the period, and this cost has been recognised within operating profit in the profit and loss account.

There is also an unfunded, unapproved pension arrangement for a small number of employees who are affected by the Inland Revenue Earnings Cap. The obligation of this defined benefit pension scheme is measured at discounted present value. The operating and finance costs of this plan are recognised separately in the profit and loss account, service costs are spread systematically over the working lives of the employees concerned and financing costs are recognised in the periods in which they arise. Actuarial gains and losses arising from either experience differing from previous actuarial assumptions or changes to those assumptions are recognised immediately in the statement of total recognised gains and losses. The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation.

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.

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3 Interest payable and similar charges

	2007	2006
	€'000	€'000
Pension interest expense (see note 13)	11	21
On amounts due to group undertakings	4,604	7
	4,615	28

4 Operating profit

	2007	2006
	€'000	€'000
Operating profit before taxation is stated after charging/(crediting)		
Staff costs (note 6)	31,876	26,893
Depreciation charge for the period		
Tangible owned fixed assets (note 8)	6,328	2,354
Research and development expenditure	8,736	630
Exchange movement	(6,664)	2,695
Reduction in share option liability to ultimate parent company	-	(2,438)
Operating lease charges		
Plant & machinery	490	401
Other	881	1,030

Services provided by the company's auditor and network firms

During the period the company obtained the following services from the company's auditor at costs as detailed below

	2007	2006
	€'000	€'000
Payable to PricewaterhouseCoopers LLP and network firms:		
Audit services: fees payable for the audit of the company	58	12
Non-audit services:		
Services relating to taxation	86	4
All other services	2	-
	88	4
Total services	146	16

5 Directors' emoluments

All directors' emoluments are paid through Johnson & Johnson Limited and are disclosed in the financial statements of that company, other than Mr C R Thorne who 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 period was

	2007 Number	2006 Number
By activity		
Production and distribution	21	15
Selling and marketing	68	44
Administration	132	108
	221	167

The average number of employees includes graduate trainees, part time employees and those on maternity leave

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

	2007 €'000	2006 €'000
Staff costs (for the above persons)		
Wages and salaries	22,460	18,653
Social security costs	2,461	2,000
Share based payment - Fair value of employee services (note 15)	1,940	1,964
Share based payment – movement in potential recharge to ultimate parent in respect of options not being fair valued	975	1,144
Other pension costs (note 13)	4,040	3,132
	31,876	26,893

7 Tax on profit on ordinary activities

	2007 €'000	2006 €'000
Current tax		
UK corporation tax on profits for the period	(1,084)	(1,200)
Adjustments in respect of prior periods	-	(78)
Total current tax	(1,084)	(1,278)
Deferred tax:		
Origination and reversal of timing differences	1,792	1,981
Deferred tax – prior period adjustment	-	4
Total deferred tax charge (see note 12)	1,792	1,985
Tax on profit on ordinary activities	708	707

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The tax assessed for the period is lower (2006 lower) than the standard rate of corporation tax in the UK (30%) The differences are explained below

	2007 €'000	2006 €'000
Profit on ordinary activities before tax	3,203	3,651
Profit on ordinary activities multiplied by standard rate in the UK 30% (2006 30%)	961	1,095
Effects of		
Expenses not deductible for tax purposes	86	47
Accelerated capital allowances and other timing differences	(1,973)	(1,981)
Deduction for stock option exercises	(158)	(361)
Adjustments in respect of prior periods	-	(78)
Current tax credit for the period	(1,084)	(1,278)

8 Tangible fixed assets

	Fixtures, fittings and equipment €'000	Capital assets under construction €'000	Total €'000
Cost			
At 1 January 2007 (as restated)	23,155	23,814	46,969
Additions	170	26,970	27,140
Transfers	23,633	(23,633)	-
At 30 December 2007	46,958	27,151	74,109
Accumulated depreciation			
At 1 January 2007 (as restated)	6,725	-	6,725
Charge for period	6,328	-	6,328
At 30 December 2007	13,053	-	13,053
Net book amount			
At 30 December 2007	33,905	27,151	61,056
Net book amount			
At 1 January 2007 (as restated)	16,430	23,814	40,244

Management re-assessed the categories of fixed assets and as a result the associated cost and accumulated depreciation of leasehold improvements has been transferred to fixtures, fittings and equipment, to more appropriately reflect the classification of these items

As a result of the reclassification, fixtures, fittings and equipment now includes assets previously shown as leasehold improvement that originally cost €2,014,000 and had a net book value at 30 December 2007 of €563,000

9 Debtors

	2007 €'000	2006 €'000
Amounts falling due within one year		
Amounts owed by group undertakings	49,327	35,287
Other debtors	-	1,537
Prepayments and accrued income	14,126	4,154
Corporation tax recoverable	1,523	1,118
	64,976	42,096

Amounts owed by group are unsecured and have no fixed repayment date

10 Creditors: amounts falling due within one year

	2007 €'000	2006 €'000
Bank overdraft	2,848	27,620
Trade creditors	9,008	2,294
Amounts owed to group undertakings	57,085	20,173
Deferred tax liability (see note 12)	2,459	734
Accruals and deferred income	26,301	6,940
	97,701	57,761

Amounts owed to group undertakings are unsecured, interest bearing and have no fixed repayment date

11 Provisions for liabilities and charges

	Share Options €'000
At 1 January 2007	796
Charged to the profit and loss account	69
Utilised during the period	(103)
At 30 December 2007	762

The provision represents Employer's National Insurance on unexercised share options (see note 15)

12 Deferred tax

Deferred tax asset/(liability) recognised and unrecognised are as follows

	Amount recognised / (amount provided)		Unrecognised asset / (liability)	
	2007 €'000	2006 €'000	2007 €'000	2006 €'000
Accelerated capital allowances	(5,360)	(3,450)	-	-
Short term timing differences	2,901	2,716	-	-
Deferred capital gains/revaluations	-	-	-	-
Deferred tax asset excluding that relating to the pension liability	(2,459)	(734)	-	-
Pension liability (note 13)	-	73	-	-
Total deferred tax liability	(2,459)	(661)	-	-

	2007 €'000	2006 €'000
As at start of period	(661)	1,346
Profit and loss account movement	(1,792)	(1,985)
Statement of total recognised gains and losses movement	(6)	(22)
Total deferred tax liability	(2,459)	(661)

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

13 Pension arrangements

The company participates in two pension arrangements in conjunction with other companies in the Johnson & Johnson Group. These are a funded, defined benefit plan called the "Johnson & Johnson UK Group Retirement Plan", and an unfunded, unapproved defined benefit plan called the "Third Tier Plan". It also participates in two life assurance arrangements.

Johnson & Johnson UK Group Retirement Plan

The FRS17 disclosure requirements refer to the situation where either there is only one employer participating in a defined benefit scheme, or there is more than one employer and each employer's share of the underlying assets and liabilities can be identified. In J&J's funded defined benefit scheme the assets attributable to each individual company cannot be identified on a reasonable and consistent basis, and so each company's share of the surplus/deficit cannot be identified. In this circumstance, the Accounting Standards Board allows the actual contributions paid by the Company to be used as a substitute for 'defined benefit' FRS17 costs.

Contributions paid by the Company in the period 1 January 2007 to 30 December 2007 amounted to €4,040,331 (£2,949,000), including a one-off payment of €215,101 (£157,000) to secure benefits previously provided by the Third Tier Plan and another one off payment of €27,401 (£20,000) to fund the discretionary pension increase awarded during 2007. This compares with total contributions of €3,085,980 (£2,104,000) in the previous period.

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The contributions paid during 2007 include those in respect of McNeil Limited and McNeil Healthcare (UK) Limited employees who transferred to J&J Consumer Services EAME Limited during the period

The Company is also required to disclose the overall funding position of the Group Plan. For this purpose, the April 2005 actuarial valuation has been updated to 30 December 2007 by a qualified, independent actuary. The principal assumptions used to calculate the FRS17 liabilities were as follows: discount rate of 5.75% per annum, salary increases (including promotion) of 4% per annum, inflation of 3% per annum, guaranteed annual increases to pensions in payment (in line with inflation up to 5%) of 2.75% per annum, guaranteed annual increases to pensions in payment (in line with inflation up to 2.5%) of 2.25% per annum.

In addition to the financial assumptions above, it is assumed that all members commute 25% of their pension for cash, in line with current commutation terms, and retire at age 63 with a life expectancy after retirement of 22 years.

Taking the liabilities calculated on the above basis and assets at market value gives an aggregate pension scheme deficit at 30 December 2007, over the funded pension scheme for the whole UK J&J Group, of £88,902,000 (2006: £193,174,000).

Where a deficit exists within the Group Plan, the cost of removing the total deficit in the scheme is expressed as a percentage of total pensionable salaries. Each employer then pays this percentage of their own pensionable salary roll. It should be noted that the basis used to calculate the deficit amount for these funding purposes does not correspond to the basis set out by FRS17.

The Johnson & Johnson UK Group Retirement Plan does not have any self investments.

Third Tier Plan

As mentioned above, there is a small unfunded unapproved pension arrangement for a small number of employees who were affected by the old "Inland Revenue Earnings Cap" – which was abolished from 6 April 2006. Since this arrangement is unfunded, it does not have the difficulty of determining the split of assets and so full details are provided.

The vast majority of Third Tier benefits were transferred into the approved Johnson & Johnson UK Group Retirement Plan during 2006. The Company made payments to the Group Plan in order to set up reserves for their accrued benefits, and these payments are included in the contribution amounts disclosed above.

During 2007 the benefits of one former employee of the company were transferred to the Group Plan leaving no former employees with benefits still secured in the Third Tier Plan at the end of the period.

The FRS17 reserve and expense in respect of each company under this arrangement can be identified. This is set out in the reconciliation of the change in reserve set out below, with the changes separated between expense items passing through the Profit and Loss account, and those changes that pass through the Statement of Recognised Gains and Losses.

The financial assumptions used to calculate the scheme liabilities for this unfunded scheme under FRS 17 are:

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	2007	2006	2005	2004	2003
Valuation method	Project Unit	Projected unit	Projected unit	Projected unit	Projected unit
Discount rate	5.75%	5.0%	4.8%	5.5%	5.75%
Inflation rate	3.0%	2.75%	2.75%	2.75%	2.25%
Increase of pensions in payment	2.75%	2.5%	2.5%	2.5%	2.5%
Salary increases	4.0%	3.75%	3.75%	3.75%	3.5%

	2007 €'000	2006 €'000
Net pension liability		
Deficit in scheme	-	(244)
Related deferred tax asset	-	73
Net pension liability	-	(171)

	2007 €'000	2006 €'000
Analysis of the amount charged to operating profit		
Current service cost	-	46
Total operating charge	-	46

	2007 €'000	2006 €'000
Analysis of the amount charged to other finance expense		
Interest on pension scheme liabilities	11	21
Total net expense	11	21

	2007 €'000	2006 €'000
Analysis of amount recognised in the statement of total recognised gains and losses		
Experience (gains)/losses arising on the scheme liabilities	(21)	(88)
Changes in assumptions underlying the present value of the scheme liabilities	-	15
Actuarial (gains)/losses recognised in STRGL	(21)	(73)

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	2007 €'000	2006 €'000
Movement in deficit during the period		
Deficit in scheme at beginning of period	(244)	(924)
Movements in the period		
Current service cost	-	(46)
Other finance costs	(11)	(21)
Actuarial gains	21	73
Exchange gains/(losses) on revaluation at end of period	19	(24)
Transfer to Group Plan (see note above)	215	698
Deficit in scheme at end of period	-	(244)

History of experience losses

	2007 €'000	2006 €'000	2005 €'000	2004 €'000	2003 €'000
Experience gains/(losses) of scheme liabilities.					
Amount (€'000)	21	88	95	(76)	(61)
% of the present value of the scheme liabilities	-	36 1%	10 2%	(11 2%)	(17 5%)
Total amount recognised in the statement of total recognised gains and (losses):					
Amount (€'000)	21	73	18	(206)	(61)
% of the present value of the scheme liabilities	-	29 9%	1 8%	(30 3%)	17 5%

Life Assurance

The company participates in both approved and unapproved life assurance plans. The premiums paid to these arrangements during 2007 were:

Johnson & Johnson UK Approved Life Assurance Plan - €52,063 (£38,000)

Johnson & Johnson UK Unapproved Life Assurance Plan - €4,110 (£3,000)

14 Called up share capital

	2007 €'000	2006 €'000
Authorised		
50,000 ordinary shares of £1 each	75	75
Allotted and fully paid		
100 ordinary shares of £1 each	-	-

15 Share Options

Share options

During the period a number of employees with share options transferred to Johnson & Johnson Limited from McNeil Limited and McNeil Healthcare (UK) Limited. At 30 December 2007 the Company's employees were members of 9 stock-based compensation plans operated by the ultimate parent company. The shares outstanding are for contracts under Johnson & Johnson's 2001 and 2005 UK Approved Stock Option Plans, the 2005 UK Unapproved Stock Option plan, the 2000 and 2005 Non-Qualified Option Plans, the 2000 ISO Stock Option plan, the 2000 UK Stock plan, the 2002 French Stock Option plan and the 2000 Merck JV plan. All of these arrangements are settled in equity.

A reconciliation of option movements during the period to 30 December 2007 is shown below

	2007		2006	
	Number ('000)	Weighted average exercise price	Number ('000)	Weighted average exercise price
Outstanding at start of period	711	\$58.56	523	\$58.44
Granted	154	\$65.62	218	\$58.34
Forfeited /Cancelled	(35)	\$65.69	(11)	\$59.85
Exercised	(59)	\$53.27	(19)	\$52.20
Transferred	60	-	-	-
Outstanding at end of period	831	\$60.09	711	\$58.56
Exercisable at end of period	230		121	

The weighted average fair value of options granted in the period was \$1,794,463 (2006 \$2,668,417)

For options outstanding at the end of the period, the range of exercise prices and weighted average remaining contractual life are as follows

2007				2006			
Weighted average exercise price	Number of Shares ('000)	Weighted average remaining life:		Weighted average exercise price	Number of Shares ('000)	Weighted average remaining life	
		Expected	Contractual			Expected	Contractual
\$52.20	99	5.1 yrs	5.1 yrs	\$52.20	121	6.1 yrs	6.1 yrs
\$53.93	130	6.1 yrs	6.1 yrs	\$53.93	166	7.1 yrs	7.1 yrs
\$58.34	210	8.1 yrs	8.1 yrs	\$58.34	216	9.1 yrs	9.1 yrs
\$65.62	187	9.1 yrs	9.1 yrs	\$66.18	208	8.1 yrs	8.1 yrs
\$66.18	205	7.1 yrs	7.1 yrs				

All options are granted at the current market price on a specific grant date during each calendar period. There is therefore no weighted average exercise price as the shares granted each period are all granted at the same price, given in the table above.

The total charge for the period relating to employee share based payment plans was €1,940,134 (2006 €1,964,000), all of which related to equity-settled share based payment transactions. After deferred tax at 28% (2006 30%), the total charge was €1,396,896 (2006 €1,374,800).

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Options were valued using the Black-Scholes option-pricing model. No performance conditions were included in the fair value calculations. The fair value per option granted and the assumptions used in the calculation are as follows:

	2007	2006
Share price at grant date and exercise price	\$65.62	\$58.34
Number of employees	95	67
Shares under option	153,675	218,375
Vesting period (years)	3 years	3 years
Expected volatility	14.7%	19.6%
Option life (years)	10 years	10 years
Expected life (years)	6 years	6 years
Risk free rate	4.78%	4.60%
Expected dividend yield	2.50%	2.50%
Fair value per option	\$11.68	\$12.22

Starting in 2006, expected volatility represents a blended rate of 4-year daily historical average volatility rate, and a 5-week average implied volatility rate based on at-the-money traded Johnson & Johnson options with a life of 2 years. Prior to 2006, expected volatility was based on a 5-year weekly historical volatility rate. Historical data is used to determine the expected life of the option. The risk free rate was based on the US Treasury yield curve in effect at the time of grant.

Restricted Stock Units

The Company also grants Restricted Stock Units (RSU's). These were first granted in 2006 and have a vesting period of 3 years. The average fair value of these units granted during the period was \$60.88, using the fair market value at the date of grant. The fair value of restricted stock units was discounted for dividends, which are not paid on the restricted stock units during the vesting period.

Restricted Stock Units	Number of shares ('000)
Shares at 1 January 2007	16
Stock granted	28
Stock issued	-
Stock forfeited	(6)
Stock transferred	13
Shares at 30 December 2007	51

Certificates of Extra Compensation

In addition, the Company's employees may be eligible to receive Certificates of Extra Compensation (CEC's).

CEC's may be granted by the Company if it wishes to reward an employee for faithful service in the past and to encourage employees in their future work by permitting them to share in the growth and success of the Company's enterprises by issuing to them Units of Agreements of Additional Remuneration ("AAR Units") and to that end receive as extra compensation sums based upon and measured by (a) the amount of cash dividends from time to time declared upon an equal number of shares of common stock of the Company and (b) by the formula value of AAR Units as established

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in the AAR agreement, at the time of termination of employment or death while in such employment

National Insurance

Share options granted subsequent to 5 April 1999 under unapproved schemes are subject to employers' and employees' national insurance on the gain made on exercise of such options by UK employees

An accrual of €723,473 (2006 restated €776,651) for employers' national insurance has been made at the balance sheet date based on the period end share price of \$67.38. It has been assumed that 100% of shares held by employees at the balance sheet date will be exercised.

In addition an accrual of €38,219 (2006 €18,445) has been made for the employers' national insurance on restricted stock units.

16 Reserves

	Other reserve €'000	Profit and loss account €'000
At 1 January 2007	7,710	15,902
Profit for the financial period	-	2,495
Actuarial gain on pension scheme	-	21
Movement on deferred tax relating to pension scheme	-	(6)
Share based payments – services provided	2,915	-
Share based payments – recharge to ultimate parent	(695)	-
Share based payments – exchange gain on revaluation	(773)	-
At 30 December 2007	9,157	18,412

17 Reconciliation of movements in shareholders' funds

	2007 €'000	2006 €'000
Profit for the financial period	2,495	2,944
Actuarial gain on pension scheme (note 13)	21	73
Movement on deferred tax relating to pension scheme	(6)	(22)
Share based payments – services provided	2,915	669
Share based payments – recharge to ultimate parent	(695)	(392)
Share based payments – exchange gain on revaluation	(773)	188
Net addition to shareholders' funds	3,957	3,460
Opening shareholders' funds	23,612	20,152
Closing shareholders' funds	27,569	23,612

18 Financial commitments

At 30 December 2007 the company had annual commitments under non-cancellable operating leases for equipment as follows

Expiring	2007		2006 restated	
	Land and buildings	Other	Land and Buildings	Other
	€000	€'000	€'000	€'000
Within one year	-	469	-	259
Within two to five years	-	474	-	194
Over five years	-	-	-	-
	-	943	-	453

The operating lease commitments as at 31 December 2006 in respect of land and buildings have been restated. The company occupies property leased by Johnson & Johnson Limited. The lease commitments in respect of the property are shown within the financial statements of that company.

19 Post balance sheet events

A number of changes to the UK Corporation Tax system were announced as part of the March 2007 budget statement. Certain of these changes were substantively enacted in the 2007 Finance Act on 26 June 2007. The impact of these changes has been recognised in these financial statements.

Certain other changes are expected to be enacted in the 2008 Finance Act. The impact of these changes will be recognised in the period in which the 2008 Finance Act becomes substantively enacted, which is expected to be in the period to 31 December 2008.

20 Ultimate and immediate parent companies and controlling party

The immediate parent company is Johnson & Johnson Management Limited, a company incorporated in England, who own 100% of Johnson & Johnson Consumer Services EAME Limited.

The directors regard Johnson & Johnson, a company incorporated in the United States of America, as the ultimate holding company and controlling party. This is the smallest and largest group of which the company is a member and for which group financial statements are prepared. Copies of the consolidated financial statements of the ultimate parent company may be obtained from Johnson & Johnson, One Johnson & Johnson Plaza, New Brunswick, New Jersey 08933, USA.