

Registered no: 603028

Johnson & Johnson Consumer Services EAME Ltd
Annual Report
for the year ended 29 December 2002



Johnson & Johnson Consumer Services EAME Ltd
(formerly Johnson & Johnson Consumer EAME Ltd)

Annual report
for the year ended 29 December 2002

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Johnson & Johnson Consumer Services EAME Ltd **(formerly Johnson & Johnson Consumer 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
Corporate Banking Office
P O Box 450
5-10 Great Tower Street
London EC3P 3HX

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Directors' report **for the year ended 29 December 2002**

The directors present their report and the audited financial statements of the company for the year ended 29 December 2002.

Principal activities

The principal activity of the company is to act as a central cost-sharing entity for regionally-incurred costs. The company changed its name from Johnson & Johnson Consumer EAME Ltd on 5 November 2002 and commenced trading on 1 January 2002. Accordingly there are no comparative figures to disclose in the profit and loss account.

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 29 December 2002 (2001: £nil).

Directors and Secretary

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

Mr C R Thorne (Company Secretary)
Mrs V 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 29 December 2002, any interests in shares of the company, or any other group company, which are required by Section 324 of the Act to be notified to the company.

Charitable contributions

Charitable contributions amounted to £nil (2001: £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 and ensure that the suppliers are made aware of the terms of the payment and abide by the terms of payment.

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.

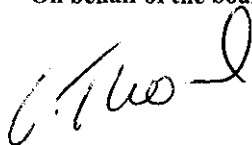
The directors confirm that suitable accounting policies have been used and applied consistently with the exception of the changes arising on the adoption of new accounting standards in the year as explained on page 7 under Note 1 'Principal accounting policies'. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 29 December 2002 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

Following the conversion of the company's auditors PricewaterhouseCoopers to a limited liability partnership on 1 January 2003, PricewaterhouseCoopers resigned as auditors and the directors appointed its successor PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

On behalf of the board



Mr C Thorne

Secretary

23 January 2004

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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.

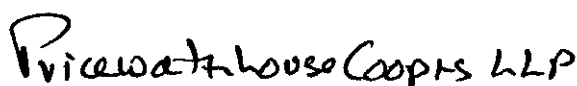
Basis of audit opinion

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 29 December 2002 and of its loss 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 January 2004

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Profit and loss account
for the year ended 29 December 2002

	Notes	2002 £'000
Turnover	2	48,035
Operating expenses		(45,063)
Operating profit		2,972
Interest payable and similar charges	3	(53)
Profit on ordinary activities before taxation	4	2,919
Tax on profit on ordinary activities	7	(905)
Profit for the financial year	16	2,014

All results arise from continuing activities.

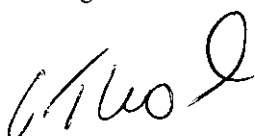
The company has no recognised gains and losses other than the loss above and therefore no separate statement of total recognised gains and losses has been presented.

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 29 December 2002

	Notes	2002 £'000	2001 £'000
Fixed assets			
Tangible assets	8	2,693	-
Current assets			
Debtors	9	26,882	-
		26,882	-
Creditors: amounts falling due within one year	10	(21,372)	-
Net current assets		5,510	-
Total assets less current liabilities		8,203	-
Creditors: amounts falling due after more than one year	11	(289)	-
Provisions for liabilities and charges	12	(5,900)	-
Net assets		2,014	-
Capital and reserves			
Called up share capital	14	-	-
Profit and loss account	15	2,014	-
Equity shareholders' funds	16	2,014	-

The financial statements on pages 5 to 16 were approved by the board of directors on 28 January 2004 and were signed on its behalf by:



C Thorne
Director

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Notes to the financial statements for the year ended 29 December 2002

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.

The company did not trade in 2001.

Adoption of new accounting standards

FRS 19, 'Deferred Tax', has been adopted in this year's financial statements. There have not been any prior year adjustments recorded in the financial year following the adoption of this new accounting standard.

Research and development

Research and development expenditure is written off as it is incurred. Amounts charged to the profit and loss account amounted to £nil.

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

During the year the company transferred its tangible fixed assets from Johnson & Johnson Limited. The assets were transferred at the original cost and the amount of accumulated depreciation calculated to date was also transferred.

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	10-33

Assets held under finance leases are depreciated over the shorter of the lease term or the useful lives of equivalent owned assets.

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.

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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.

Deferred taxation

Deferred taxation is provided on a full provision basis on timing differences, arising from the different treatment of items for accounts and taxation purposes, which are expected to reverse in the future, calculated at rates at which it is estimated that the tax will arise. The deferred taxation balance has been measured at the rate expected to apply when timing differences reverse. Deferred tax assets are recognised to the extent that it is regarded as more likely than not they will be recovered.

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 13 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 19 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.

3 Interest payable and similar charges

	2002
	£'000
On finance leases	(53)

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4 Profit on ordinary activities before taxation

	2002
	£'000
Profit on ordinary activities before taxation is stated after charging/(crediting):	
Depreciation charge for the year:	
Tangible owned fixed assets	1,014
Tangible fixed assets held under finance leases	204
Research and development expenditure	-
Severance costs	449
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.

6 Employee information

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

	2002
	Number
By activity	
Production and distribution	30
Selling and marketing	27
Administration	48
	105

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

	2002
	£'000
Staff costs (for the above persons)	
Wages and salaries	7,620
Social security costs	599
Other pension costs (see note 18)	390
	8,609

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7 Taxation on profit for the year

	2002 £'000
Current tax	
UK corporation tax on profits for the period	2,618
Tax on profit on ordinary activities	2,618
Deferred tax:	
Origination and reversal of timing differences	(1,713)
Total deferred tax charge	(1,713)
Tax on profit on ordinary activities	905

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

	2002 £'000
Profit on ordinary activities before tax	2,919
Profit on ordinary activities multiplied by standard rate in the UK 30%	876
Effects of:	
Expenses not deductible for tax purposes	29
Accelerated capital allowances and other timing differences	1,713
Current tax charge for the period	2,618

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8 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 1 January 2002	-	-	-	-	-
Transferred from affiliate	1,633	25	955	3,861	6,474
Additions	-	45	220	-	265
Disposals	-	-	(182)	(1,130)	(1,312)
Transfers	69	23	-	(92)	-
At 29 December 2002	1,702	93	993	2,639	5,427
Accumulated depreciation					
At 1 January 2002	-	-	-	-	-
Transferred from affiliate	447	-	278	2,008	2,733
Charge for year	174	-	204	840	1,218
Disposals	-	-	(96)	(1,121)	(1,217)
At 29 December 2002	621	-	386	1,727	2,734
Net Book Amount					
At 29 December 2002	1,081	93	607	912	2,693
Net book amount					
At 1 January 2002	-	-	-	-	-

9 Debtors

	2002 £'000	2001 £'000
Amounts falling due within one year		
Trade debtors	-	-
Amounts owed by group undertakings	24,627	-
Other debtors	253	-
Prepayments and accrued income	289	-
Deferred taxation	1,713	-
	26,882	-

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10 Creditors: amounts falling due within one year

	2002	2001
	£'000	£'000
Trade creditors	438	-
Amounts owed to group undertakings	9,964	-
Obligations under finance leases	319	-
Corporation tax	2,608	-
Other taxation and social security	29	-
Accruals and deferred income	8,014	-
	21,372	-

11 Creditors: amounts falling due after more than one year

	2002	2001
	£'000	£'000
Obligations under finance leases	289	-

12 Provisions for liabilities and charges

	Pensions and similar obligations (see note 13)	Share Options	Total
	£'000	£'000	£'000
At 1 January 2002	-	-	-
Provided during the year	-	2,573	2,573
Transferred from affiliate	4,075	-	4,075
Utilised during the year	(748)	-	(748)
At 29 December 2002	3,327	2,573	5,900

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

	Amount recognised		Amount unrecognised	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Tax deferred by:				
Accelerated capital allowances	(72)	-	-	-
Other timing differences	(1,642)	-	-	-
	(1,713)	-	-	-

13 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 Group Pension Arrangements. The group operates a funded defined benefit pension plan for UK employees and, until 1 September 2002, a small, separate 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 £382,916.

In respect of all arrangements the company has made a provision of £3,326,922, 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 29 December 2002 was £49.3m.

(b) FRS 17 Retirement Benefits

The Accounting Standards Board has confirmed that it will delay full adoption of FRS 17 until financial years starting on or after 1 January 2005. In the meantime, companies can continue to use SSAP 24 numbers in their accounts and the transitional disclosure requirements of FRS 17 for defined benefit schemes apply.

However, these FRS 17 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 Johnson & Johnson's funded defined benefit scheme the assets attributable to each individual company cannot be identified, and so each company's share of the surplus/deficit cannot be identified.

In this circumstance, the Accounting Standards Board allow the actual contributions paid by the company to be used as a substitute for 'defined benefit' FRS 17 costs.

For this purpose, the April 2002 actuarial valuation has been updated to 31 December 2002 by a qualified, independent actuary. The principal assumptions used to calculate the FAS 87 liabilities were that the discount rate would be 6.00% per annum, that salary increases (including promotion) would average 3.5% per annum and that inflation would average 2.25% per annum.

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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 29 December 2002 the FRS 17 liability of this unfunded scheme for Johnson & Johnson Consumer Services EAME Limited was £118,000.

Valuation method	Projected unit
Discount rate	6.00%
Inflation rate	2.25%
Salary increases	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 29 December 2002 would have been reported as follows:

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

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

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

	2002 £'000
Other finance income	
Interest on pension scheme liabilities	-
Net cost	-

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

	2002 £'000
Movement in deficit during the year	
Deficit in scheme at beginning of year	-
Movement in year:	
Current service cost	(168)
Other finance costs	-
Actuarial gain	50
Deficit in scheme at end of year	(118)

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

14 Called up share capital

	2002 £'000	2001 £'000
Authorised		
50,000 ordinary shares of £1 each	50	50
Allotted and fully paid		
100 ordinary shares of £1 each	-	-

15 Profit and loss account

	2002 £'000	2001 £'000
At 1 January 2002	-	-
Retained profit for the year	2,014	-
At 30 December 2002	2,014	-

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16 Reconciliation of movements in shareholders' funds

	2002 £'000
Profit for the financial year	2,014
Opening shareholders' funds	-
Closing shareholders' funds	2,104

17 Capital commitments

	2002 £'000	2001 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	174	-

18 Financial commitments

At 29 December 2002 the Johnson & Johnson Consumer Services EAME Ltd had no annual commitments under non-cancellable operating leases.

	2002 £'000
Obligations under finance leases fall due as follows:	
In one year or less	319
Between two and five years	289
	608

19 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.