

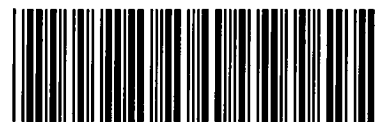
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**JOHNSON & JOHNSON CONSUMER SERVICES EAME LTD**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

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**JOHNSON & JOHNSON CONSUMER SERVICES EAME LTD**

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**JOHNSON & JOHNSON CONSUMER SERVICES EAME LTD**

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**COMPANY INFORMATION**

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<b>Directors</b>	C R Thorne C D Dempsey (resigned 21 September 2017) A Crossley (appointed 29 March 2018)
<b>Company secretary</b>	C R Thorne
<b>Registered number</b>	00603028
<b>Registered office</b>	Foundation Park Roxborough Way Maidenhead Berkshire SL6 3UG
<b>Independent auditors</b>	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 3 Forbury Place 23 Forbury Road Reading Berkshire RG1 3JH
<b>Bankers</b>	Royal Bank of Scotland PO Box 450 5-10 Great Tower Street London EC3P 3HX
<b>Solicitors</b>	Linklaters LLP One Silk Street London EC2Y 8HQ

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## JOHNSON & JOHNSON CONSUMER SERVICES EAME LTD

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### STRATEGIC REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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The directors present their Strategic report on the company for the financial year ended 31 December 2017.

#### Principal activities

The principal activity of the company is to act as a service provider to other Johnson & Johnson group companies.

#### Business review

Despite increased pension service costs and a reduction in recharged service revenue, the directors are satisfied with the performance of the company during the financial year and its financial position at the financial year end.

The key financial and other performance measures were as follows:

	31 December 2017 €000	1 January 2017 €000	Change (%)
Revenue	153,948	158,842	(3)
Operating profit	9,498	11,459	(17)
Total equity	61,981	35,421	75
Average number of employees	315	315	-

The results and dividend section within the Directors' report and the income statement on page 10 show the full results for the financial year.

Revenue has decreased 3% year on year due to a decrease in service activities performed on behalf of group affiliates.

Operating profit has decreased by 17% year on year. The decrease is mainly due to increased defined benefit pension service costs in the current financial year.

Total equity has increased by 75% year on year. This increase is principally due to remeasurements of the net defined benefit pension balance at the end of the 2017.

The statement of financial position on page 12 of the financial statements shows the company's financial position at the end of the year.

#### Future outlook

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.

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JOHNSON & JOHNSON CONSUMER SERVICES EAME LTD

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STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2017

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**Principal risks and uncertainties**

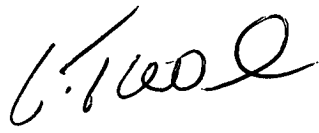

The management of the business and the execution of the company's strategy are subject to a number of risks.

The key business risks and uncertainties affecting the company are considered to relate to general industry conditions and competition; economic conditions; technological advances; challenges inherent in new product development; and product efficacy or safety concerns resulting in product recalls or regulatory action. The risks and uncertainties are managed at regular board meetings, and where applicable, actions are taken to mitigate the risks.

This report was approved by the board and signed on its behalf.

C R Thorne  
Director

Date:

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## JOHNSON & JOHNSON CONSUMER SERVICES EAME LTD

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### DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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The directors present their annual report and the audited financial statements for the financial year ended 31 December 2017.

#### Statement of directors' responsibilities

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

Company law requires the directors to prepare audited financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these audited financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the audited financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors 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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the audited financial statements comply with the Companies Act 2006.

#### Directors' confirmations

In the case of each director at the date the Directors' Report is approved:

- so far as they are aware, there is no relevant audit information of which the company's auditors are unaware, and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

#### Future outlook

The directors' expectations for the future of the business are set out in the Strategic report included within the annual report and financial statements.

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## JOHNSON & JOHNSON CONSUMER SERVICES EAME LTD

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### DIRECTORS' REPORT (CONTINUED) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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#### Financial risk management

The policies set by the Group are implemented by the company's finance department. The department has a policy and procedures manual that sets out specific guidelines to manage liquidity risk, interest rate cash flow risk and foreign exchange risk and circumstances where it would be appropriate to use financial instruments to manage these.

##### *Liquidity risk*

The company is funded within the Johnson & Johnson group of companies. The group's 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 cashflow risk*

The company has both interest bearing assets and interest bearing liabilities. Interest bearing assets include only cash balances, which earn interest at a fixed rate. The company has a policy of maintaining debt at a fixed rate to ensure certainty of future interest cash flows. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature.

##### *Foreign exchange risk*

The company makes sales and purchases in foreign currencies. The company manages its foreign exchange risk by hedging its significant exposures through a group hedging scheme.

#### Results and dividends

The income statement for the financial year is set out on page 10.

The company's profit for the financial year amounted to €6,407,000 (2016: €5,648,000). The aggregate dividends on the ordinary shares recognised during the year amounts to €nil (2016: €nil). There are no proposed dividends awaiting approval at 31 December 2017 (2016: €nil).

#### Events since the year end

There have been no events impacting the company since the financial year end.

#### Directors

The directors who served during the financial year and up to the date of signing the financial statements, unless otherwise stated, are given below:

C R Thorne  
C D Dempsey (resigned 21 September 2017)  
A Crossley (appointed 29 March 2018)

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## JOHNSON & JOHNSON CONSUMER SERVICES EAME LTD

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### DIRECTORS' REPORT (CONTINUED) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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#### 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 in order to take on the views of the employees in decision-making. Team briefings, which complement other forms of management communication, ensure that all levels in the organisation are kept up-to-date on the performance of the company, thereby increasing employee engagement. In addition, surveys such as the annual Credo Survey are conducted to provide opportunities for employees to feed back to senior management on the health of the business and general working environment.

The current emphasis is on facilitating cross-functional relationships to increase awareness and to build effective teamwork.

The company is committed to the principle of employee share participation and accordingly during the year have continued the Johnson & Johnson Employee Share Incentive Plan. This scheme provides employees with the opportunity to acquire shares in the US parent company of the Johnson & Johnson group on an advantageous basis and it is operated with tax benefits under HM Revenue & Customs approved share scheme arrangements.

The company's policies and practices are regularly reviewed and feedback is received from all staff levels.

#### Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

#### Modern slavery statement

The company, as a member of the Johnson & Johnson family of companies, is committed to ensuring that it conducts its business worldwide with respect for human rights and in compliance with all applicable laws and fair labour practices. The company has prepared a statement in accordance with the requirements of The Modern Slavery Act 2015, a copy of which is available on request or on certain of the company's websites.


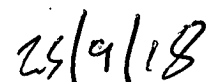
#### Independent Auditors

PricewaterhouseCoopers LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place in accordance with s487 of the Companies Act 2006 for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

This report was approved by the board and signed on its behalf.

C R Thorne  
Director

Date:



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## JOHNSON & JOHNSON CONSUMER SERVICES EAME LTD

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### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF JOHNSON & JOHNSON CONSUMER SERVICES EAME LTD

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#### Report on the audit of the financial statements

##### Opinion

In our opinion, Johnson & Johnson Consumer Services EAME Ltd's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2017; the income statement, the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

##### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### *Independence*

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

##### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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## JOHNSON & JOHNSON CONSUMER SERVICES EAME LTD

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### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF JOHNSON & JOHNSON CONSUMER SERVICES EAME LTD

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#### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

#### *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

#### Responsibilities for the financial statements and the audit

##### *Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

##### *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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JOHNSON & JOHNSON CONSUMER SERVICES EAME LTD

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF JOHNSON & JOHNSON CONSUMER SERVICES EAME LTD

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**Responsibilities for the financial statements and the audit (continued)**

*Auditors' responsibilities for the audit of the financial statements (continued)*

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

*Use of this report*

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

**Other required reporting**

**Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Katherine Stent (Senior statutory auditor)  
for and on behalf of  
PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Reading

Date: 25/9/18

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**JOHNSON & JOHNSON CONSUMER SERVICES EAME LTD**

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**INCOME STATEMENT  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

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	Note	Financial year ended 31 December 2017 €000	<i>Financial year ended 1 January 2017 €000</i>
Revenue	4	153,948	158,842
Administrative expenses		(144,450)	(147,383)
<b>Operating profit</b>	5	<b>9,498</b>	<b>11,459</b>
Interest receivable and similar income	9	-	1
Interest payable and similar expenses	10	(25)	(24)
Other finance expense	11	(1,120)	(3,872)
<b>Profit on ordinary activities before income tax</b>		<b>8,353</b>	<b>7,564</b>
Income tax expense on ordinary activities	12	(1,946)	(1,916)
<b>Profit for the financial year</b>		<b>6,407</b>	<b>5,648</b>

All amounts relate to continuing operations.

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**JOHNSON & JOHNSON CONSUMER SERVICES EAME LTD**

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**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

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		<b>Financial year ended 31 December 2017 €000</b>	<i>Financial year ended 1 January 2017 €000</i>
	<b>Note</b>		
Profit for the financial year		<b>6,407</b>	5,648
		<hr/>	<hr/>
<b>Other comprehensive income/ (expense):</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Actuarial gain/ (loss) on defined benefit pension schemes	18	<b>27,406</b>	(19,650)
Movement of deferred tax relating to defined benefit pension schemes	16	<b>(4,659)</b>	3,351
		<hr/>	<hr/>
<b>Total other comprehensive income/ (expense) for the financial year</b>		<b>22,747</b>	(16,299)
		<hr/>	<hr/>
<b>Total comprehensive income/ (expense) for the financial year</b>		<b>29,154</b>	(10,651)
		<hr/> <hr/>	<hr/> <hr/>

**JOHNSON & JOHNSON CONSUMER SERVICES EAME LTD**  
**REGISTERED NUMBER:00603028**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2017**

	Note	31 December 2017 €000	31 December 2017 €000	1 January 2017 €000	1 January 2017 €000
<b>Non-current assets</b>					
Intangible assets	13		<b>53,758</b>		<b>56,318</b>
Property, plant and equipment			<b>10</b>		<b>16</b>
			<u><b>53,768</b></u>		<u><b>56,334</b></u>
<b>Current assets</b>					
Trade and other receivables	14	<b>42,613</b>		<b>59,811</b>	
Cash and cash equivalents		<b>153</b>		<b>243</b>	
		<u><b>42,766</b></u>		<u><b>60,054</b></u>	
Trade and other payables: amounts falling due within one year	15	<b>(44,088)</b>		<b>(65,146)</b>	
<b>Net current liabilities</b>			<b>(1,322)</b>		<b>(5,092)</b>
<b>Provisions for liabilities</b>					
Other provisions	17	<b>(2,413)</b>		<b>(2,547)</b>	
			<u><b>(2,413)</b></u>	<u><b>(2,547)</b></u>	
<b>Pension asset/ (liability)</b>	18		<b>11,948</b>		<b>(13,274)</b>
<b>Net assets</b>			<u><u><b>61,981</b></u></u>		<u><u><b>35,421</b></u></u>
<b>Capital and reserves</b>					
Retained earnings			<b>61,981</b>		<b>35,421</b>
<b>Total equity</b>			<u><u><b>61,981</b></u></u>		<u><u><b>35,421</b></u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf.

C R Thorne  
Director



Date:

25/9/18

The notes on pages 14 to 38 form part of these financial statements.

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**JOHNSON & JOHNSON CONSUMER SERVICES EAME LTD**

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**STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

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	Retained earnings €000	Total equity €000
<b>At 4 January 2016</b>	50,221	50,221
Profit for the financial year	5,648	5,648
Actuarial losses on defined benefit pension scheme (Note 18)	(19,650)	(19,650)
Deferred tax on actuarial pension losses (Note 16)	3,351	3,351
<b>Other comprehensive expense for the financial year</b>	(16,299)	(16,299)
<b>Total comprehensive expense for the financial year</b>	(10,651)	(10,651)
Excess current tax credit on share-based payments	1,218	1,218
Credit relating to equity-settled share-based payments	2,874	2,874
Charge from parent for equity-settled share-based payments	(8,388)	(8,388)
Deferred tax on share-based payments in excess of fair value at grant (Note 16)	147	147
<b>Total transactions with owners</b>	(4,149)	(4,149)
<b>At 1 January 2017</b>	35,421	35,421
Profit for the financial year	6,407	6,407
Actuarial gains on defined benefit pension scheme (Note 18)	27,406	27,406
Deferred tax on actuarial pension losses (Note 16)	(4,659)	(4,659)
<b>Other comprehensive income for the financial year</b>	22,747	22,747
<b>Total comprehensive income for the financial year</b>	29,154	29,154
Excess current tax credit on share-based payments	807	807
Credit relating to equity-settled share-based payments	2,725	2,725
Charge from parent for equity-settled share-based payments	(6,001)	(6,001)
Deferred tax on share-based payments in excess of fair value at grant (Note 16)	(125)	(125)
<b>Total transactions with owners</b>	(2,594)	(2,594)
<b>At 31 December 2017</b>	61,981	61,981

The notes on pages 14 to 38 form part of these financial statements.

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## JOHNSON & JOHNSON CONSUMER SERVICES EAME LTD

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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#### 1. General information

Johnson & Johnson Consumer Services EAME Ltd ('the company') is a private company limited by shares and is incorporated and domiciled in the United Kingdom. The address of its registered office is: Foundation Park, Roxborough Way, Maidenhead, Berkshire, SL6 3UG. The company acts as a service provider to other Johnson & Johnson group companies.

Johnson & Johnson Management Limited, a company incorporated in the United Kingdom, is the company's immediate parent company.

Johnson & Johnson, incorporated in the United States of America, is the company's ultimate parent undertaking.

Johnson & Johnson prepares group financial statements and is both the smallest and largest group for which group financial statements are drawn up and of which Johnson & Johnson Consumer Services EAME Ltd is a member. Copies of the consolidated financial statements may be obtained from the Secretary, Johnson & Johnson, One Johnson & Johnson Plaza, New Brunswick, New Jersey 08933, USA.

As the company is a wholly owned subsidiary of Johnson & Johnson, the group financial statements of which are publicly available, advantage is also taken of the exemption from disclosing transactions with group companies and from presenting a cash flow statement.

These financial statements are the company's separate financial statements for the financial year beginning 2 January 2017 and ending 31 December 2017.

The company's reporting period ends on the Sunday closest to 31 December, being 31 December 2017 for the current year (52 weeks) and 1 January 2017 for the prior year (52 weeks).

#### 2. Accounting policies

##### 2.1 Basis of preparation

The financial statements have been prepared on the going concern basis in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared on the historical cost convention and in accordance with the Companies Act 2006. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

As permitted by the Companies Act 2006, the directors have adapted the prescribed format of the income statement in a manner appropriate to the nature of the company's business.

The preparation of financial statements in conformity with FRS 101 requires the use of certain accounting estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. It also requires management to exercise its judgement in the process of applying the company's accounting policies. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3 (critical accounting estimates and judgements).



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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**2. Accounting policies (continued)**

**2.1 Basis of preparation (continued)**

FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in FRS 101 which addresses the financial reporting requirements and disclosure exemptions in the financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS.

The company is a qualifying entity for the purposes of FRS 101. Details of the company's parent and from where its consolidated financial statements prepared in accordance with a Generally Accepted Accounting Practice considered to be an equivalent to IFRS may be obtained are set out in note 1 to the financial statements.

In accordance with FRS 101, the company has availed of an exemption from the following requirements of IFRS:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share based payment'
- IFRS 7, 'Financial Instruments: Disclosures'
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement'
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
  - Paragraph 79(a) (iv) of IAS 1;
  - Paragraph 73(e) of IAS 16 Property, plant and equipment;
  - Paragraph 118 of IAS 38 Intangible assets
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10 (d) (statement of cash flows);
  - 16 (statement of compliance with all IFRS)
  - 38A (requirement for minimum of two primary statements, including cash flow statements)
  - 38B-D (additional comparative information)
  - 111 (cash flow statement information)
  - 134-136 (capital management disclosures)
- IAS 7, 'Statement of cash flows'
- Paragraph 30 and 31 of IAS 8 'Accounting Policies, changes in accounting estimates and errors'
- Paragraph 17 of IAS 24, 'Related party disclosures'
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

The remaining exemptions available under the framework are not applicable to the company at this time.

**2.2 New standards, amendments and IFRIC interpretations**

No new accounting standards or amendments to accounting standards, or IFRIC interpretation that are effective for the financial year ended 31 December 2017, have had a material impact on the company.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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**2. Accounting policies (continued)**

**2.3 Foreign currency translation**

*(a) Functional and presentation currency*

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). The financial statements are presented in Euros (€), which is also the company's functional currency.

*(b) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

**2.4 Property, plant and equipment**

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Fixtures, fittings and equipment - 20.00 - 33.33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within the income statement.

**2.5 Intangible assets**

Intangible assets consist of computer software.

Costs associated with maintaining intangible assets are recognised as an expense as incurred within 'administrative expenses' in the income statement.

Intangible assets are amortised over their estimated useful lives as follows:

Computer software - 20.00 - 33.33%

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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2. Accounting policies (continued)

2.6 Impairment of non-financial assets

Non-financial assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

2.7 Financial instruments

The company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The company's accounting policy in respect of financial instruments transactions are explained below.

*(a) Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current investments.

*(b) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The company's loans and receivables comprise Trade and other receivables' in the statement of financial position.

*(c) Financial liabilities*

The company classifies all of its financial liabilities at amortised cost.

Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method which ensures that any interest expense over the period to repayments is at a constant rate on the balance of the liability carried into the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS  
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**2. Accounting policies (continued)**

**2.8 Impairment of financial assets**

Assets carried at amortised cost

The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

**2.9 Derivative financial instruments and hedge accounting**

The company has chosen not to apply hedge accounting and all derivatives are measured at fair value through profit and loss.

**2.10 Investments in subsidiaries**

Investments in subsidiaries are held at cost less accumulated impairment losses.

**2.11 Inventory**

Inventory is stated at the lower of cost and net realisable value. Cost is determined on a first in, first out basis and includes transport and handling costs. In the case of manufactured products, cost includes all direct expenditure and production overheads, based on the normal level of activity. Net realisable value comprises estimated selling price less further production costs to completion and appropriate selling and distribution costs. Provision is made, where necessary, for obsolete, slow moving and defective inventory.

**2.12 Trade and other receivables**

Trade and other receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised at fair value less provisions for impairments.

**2.13 Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less.

**2.14 Trade and other payables**

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Accruals and deferred income comprise expenses relating to the current year, which will not be invoiced until after the date of the statement of financial position, and income received in advance relating to the following year.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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**2. Accounting policies (continued)**

**2.15 Leases**

Leases in which substantially all of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

**2.16 Current and deferred income tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of the statement of financial position. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the date of the statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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2. Accounting policies (continued)

2.17 Pension obligations

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 are eligible to join the funded defined benefit scheme and the defined contribution scheme is closed to new entrants. There is also an unfunded, unapproved defined benefit pension scheme arrangement for a small number of employees who are affected by the Inland Revenue Earnings Cap.

A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The asset or liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of the plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

The amount charged or credited to finance costs is a net interest amount calculated by applying the liability discount rate to the net defined benefit liability or asset. Past service cost are recognised immediately in the income statement.

Under the defined contribution plan, the company has no further payment obligations once the contributions have been paid. Contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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2. Accounting policies (continued)

2.18 Share based payments

The company operates a number of equity-settled, share-based compensation plans, under which the company receives services from employees as consideration for equity instruments (options) of the ultimate parent company, Johnson & Johnson. The awards are granted by Johnson & Johnson, and the company has no obligation to settle the awards. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. A credit is recognised directly in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price)
- excluding the impact of any service and non-market vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save). Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest.

The total expense is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied. At the end of each reporting period, the company revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity. When the options are exercised, the company is recharged the options' original fair value as of the grant date from Johnson & Johnson. These intercompany charges are accounted for as a deduction from equity.

**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 date of the statement of the financial position and the option exercise prices. The initial provision calculated upon grant of the option follows the underlying option and the charge to the income statement is therefore spread over the vesting period. At each date of the statement of financial position until the date of exercise the provision is adjusted by using the market value of the options at that date. 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.

**Employee benefits – Certificates of Extra Compensation (CEC's)**

CEC's were granted up until 31 December 2009 by the company if it wished 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 ultimate parent 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.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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2. Accounting policies (continued)

2.18 Share based payments (continued)

Employee benefits – Certificates of Long-Term Performance (CLP's)

Since 1 January 2010 CLP'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 ultimate parent company and (b) by the formula value of AAR Units as established in the AAR agreement. This award represents a deferred compensation instrument with the vested value being paid out at the tenth anniversary of the date of the grant or upon termination or retirement, whichever occurs earlier.

2.19 Provisions

Provisions for restructuring costs and legal claims are recognised when: the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.20 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable in respect of amounts charged to fellow group companies for services provided and expenses incurred by the company.

The company recognises revenue when the amount can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when the criteria included in the sales agreements have been met.

2.21 Dividend distributions

Dividend distributions to the company's shareholders are recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

2.22 Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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**3. Critical accounting estimates and judgements**

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

*(a) Useful economic lives of property, plant and equipment and intangible software assets*

The annual depreciation charge for property, plant and equipment and intangible software assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

*(b) Defined benefit pension scheme*

The company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors based on actuarial valuation reports in determining the net pension obligation in the statement of financial position. The assumptions reflect historical experience and current trends.

**4. Revenue**

An analysis of revenue by class of business is as follows:

	<b>Financial year ended 31 December 2017 €000</b>	<i>Financial year ended 1 January 2017 €000</i>
Services provided to group companies	<b>153,948</b>	158,842
	<b>153,948</b>	158,842

All revenue arose within the United Kingdom.

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5. Operating profit

The operating profit is stated after charging:

	<b>Financial year ended 31 December 2017 €000</b>	<i>Financial year ended 1 January 2017 €000</i>
Amortisation of intangible assets	17,111	14,575
Exchange differences	6,536	10,779
Share-based payment expense	2,725	2,874
	<u>          </u>	<u>          </u>

6. Auditors' remuneration

Remuneration for the statutory audit and other services carried out for the company by the company's auditors is as follows:

	<b>Financial year ended 31 December 2017 €000</b>	<i>Financial year ended 1 January 2017 €000</i>
Audit of entity financial statements (including expenses)	50	50
	<u>          </u>	<u>          </u>
	<u>50</u>	<u>50</u>

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

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**7. Employees**

Staff costs, including directors' remuneration, were as follows:

	<b>Financial year ended 31 December 2017 €000</b>	<i>Financial year ended 1 January 2017 €000</i>
Wages and salaries	30,445	33,643
Social security costs	5,317	5,342
Other pension costs (Note 18)	10,939	5,500
Share-based payments	2,725	2,874
	<u>49,426</u>	<u>47,359</u>

The average monthly number of employees, including the directors, during the year was as follows:

	<b>Financial year ended 31 December 2017</b>	<i>Financial year ended 1 January 2017</i>
Service provider personnel	315	315
	<u>315</u>	<u>315</u>

**8. Directors' emoluments**

	<b>Financial year ended 31 December 2017 €000</b>	<i>Financial year ended 1 January 2017 €000</i>
Aggregate remuneration for qualifying services	272	376
	<u>272</u>	<u>376</u>

Post-employment benefits are accruing to one director (2016: one director) under the company's defined benefit pension scheme and to no directors (2016: no directors) under the money purchase scheme.

One director (2016: one director) exercised share options in the ultimate parent company during the financial year.

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**8. Directors' emoluments (continued)**

	<b>Financial year ended 31 December 2017 €000</b>	<i>Financial year ended 1 January 2017 €000</i>
<b>Highest paid director</b>		
Total amounts of emoluments and amounts (excluding shares) receivable under long-term incentive schemes	272	376
Defined benefit pension scheme:		
- Accrued pension at the end of the year	192	201
	<u>464</u>	<u>577</u>

The highest paid director exercised share options in the year (2016: options exercised).

**9. Interest receivable and similar income**

	<b>Financial year ended 31 December 2017 €000</b>	<i>Financial year ended 1 January 2017 €000</i>
Interest receivable on UK group banking arrangements	-	1
	<u>-</u>	<u>1</u>

**10. Interest payable and similar expenses**

	<b>Financial year ended 31 December 2017 €000</b>	<i>Financial year ended 1 January 2017 €000</i>
Interest payable on UK group banking arrangements	25	24
	<u>25</u>	<u>24</u>

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**NOTES TO THE FINANCIAL STATEMENTS  
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**11. Other finance expense**

	<b>Financial year ended 31 December 2017 €000</b>	<i>Financial year ended 1 January 2017 €000</i>
Net interest expense/ (income) on net defined benefit liability	230	(256)
Fair value losses on derivative financial instruments	890	4,128
	<u>1,120</u>	<u>3,872</u>

**12. Income tax**

	<b>Financial year ended 31 December 2017 €000</b>	<i>Financial year ended 1 January 2017 €000</i>
<b>Tax included in the income statement</b>		
Current tax on profits for the financial year	2,710	1,218
Adjustments in respect of prior periods	14	(215)
<b>Total current tax</b>	<u>2,724</u>	<u>1,003</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(881)	838
Impact of change in tax rate	103	75
<b>Total deferred tax</b>	<u>(778)</u>	<u>913</u>
<b>Total tax on profit on ordinary activities</b>	<u>1,946</u>	<u>1,916</u>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

12. Income tax (continued)

Factors affecting tax charge for the financial year

The tax assessed for the financial year is higher than (2016: *higher than*) the standard rate of corporation tax in the UK of 19.25% (2016: 20%). The differences are explained below:

	Financial year ended 31 December 2017 €000	Financial year ended 1 January 2017 €000
Profit on ordinary activities before tax	8,353	7,564
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016: 20%)	1,608	1,513
Effects of:		
Expenses not deductible for tax purposes	221	139
Losses carried back to prior year	-	404
Adjustments in respect of prior periods	14	(215)
Remeasurement of deferred tax due to change in the UK tax rate	103	75
<b>Total tax expense included in the income statement</b>	<b>1,946</b>	<b>1,916</b>

Factors that may affect future tax charges

The standard rate of Corporation Tax in the UK changed from 20% to 19% with effect from 1 April 2017. Accordingly, the company's profits for this accounting period are taxed at an effective rate of 19.25%.

On 6 September 2016, the UK Government substantively enacted Finance Act 2016 which included a reduction in the main UK corporation tax rate to 17% from 1 April 2020. At 31 December 2017, the relevant UK deferred tax assets and liabilities included here are based on the reduced rate, reflective of the rate expected to be in force at the time the underlying timing differences reverse

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**12. Income tax (continued)**

**Tax expense/ (income) included in other comprehensive income**

	<b>Financial year ended 31 December 2017 €000</b>	<i>Financial year ended 1 January 2017 €000</i>
<b>Current tax</b>		
Current tax on items in other comprehensive income	-	-
<b>Deferred tax</b>		
Origination and reversal of temporary differences	4,659	(3,341)
Impact of changes in tax rate	-	(10)
<b>Total tax expense/ (income) included in other comprehensive income</b>	<b>4,659</b>	<b>(3,351)</b>

**Tax (income)/ expense included in equity**

	<b>Financial year ended 31 December 2017 €000</b>	<i>Financial year ended 1 January 2017 €000</i>
<b>Current tax</b>		
Current tax on items in equity	(807)	(1,218)
<b>Deferred tax</b>		
Origination and reversal of temporary differences	125	(261)
Impact of change in tax rate	-	114
<b>Total deferred tax included in equity</b>	<b>125</b>	<b>(147)</b>
<b>Total tax (income)/ expense included in equity</b>	<b>(682)</b>	<b>(1,365)</b>

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**13. Intangible assets**

	<b>Software €000</b>
<b>Cost</b>	
At 2 January 2017	224,361
Additions	14,551
Disposals	-
	<hr/>
At 31 December 2017	238,912
	<hr/>
<b>Accumulated amortisation</b>	
At 2 January 2017	168,043
Charge for the year	17,111
On disposals	-
	<hr/>
At 31 December 2017	185,154
	<hr/>
<b>Net book value</b>	
At 31 December 2017	53,758
	<hr/> <hr/>
At 1 January 2017	56,318
	<hr/>

**14. Trade and other receivables**

	<b>31 December 2017 €000</b>	<b>1 January 2017 €000</b>
Amounts owed by group undertakings	37,430	48,057
Other receivables	-	1,527
Prepayments and accrued income	1,123	2,162
Deferred tax asset (Note 16)	4,060	8,065
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	42,613	59,811
	<hr/> <hr/>	<hr/> <hr/>



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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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**14. Trade and other receivables (continued)**

Amounts owed by group undertakings includes an amount payable of €755,000 (2016: a payable of €8,670,000 was in 'Trade and other payables'), invested with the In-House Treasury Cash Pool.

The company, together with other UK based affiliate companies, participates in one or more In-House Treasury Cash Pool arrangements administrated by J.C. General Services CVBA, a company incorporated under Belgian law with registered office at Turnhoutseweg 30, 2340 Beerse, Belgium. The centralised financial management provided in relation to the In-House Treasury Cash Pool is intended to, among other things, enable the Cash Pool participants, by acting collectively, to have access to the broadest range of credit options at arm's length conditions, while optimising the use and investment of the liquidities available within the In-House Treasury Cash Pool.

All investments with J.C. General Services CVBA are made on behalf of the UK group companies by Johnson & Johnson Management Limited. Transactions between Johnson & Johnson Management Limited and UK group affiliates to fund these investments are treated as separate arrangements.

**15. Trade and other payables: amounts falling due within one year**

	<b>31 December 2017 €000</b>	<b>1 January 2017 €000</b>
Trade payables	<b>6,949</b>	6,872
Amounts owed to group undertakings	<b>24,792</b>	44,503
Corporation tax	<b>757</b>	-
Other taxation and social security	<b>1,279</b>	754
Accruals and deferred income	<b>9,422</b>	8,967
Derivative financial instruments	<b>889</b>	4,050
	<b>44,088</b>	65,146

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16. Deferred tax asset

	Accelerated/ decelerated capital allowances €000	Retirement benefits €000	Provisions for liabilities €000	Share-based payments €000	Total €000
<b>At 4 January 2016</b>	1,720	(416)	843	3,333	<b>5,480</b>
(Charge)/ credit to the income statement	(78)	(679)	30	(186)	<b>(913)</b>
Credit to other comprehensive income	-	3,351	-	-	<b>3,351</b>
Credit to equity	-	-	-	147	<b>147</b>
<b>At 1 January 2017</b>	<b>1,642</b>	<b>2,256</b>	<b>873</b>	<b>3,294</b>	<b>8,065</b>
Credit/ (charge) to the income statement	446	371	16	(54)	<b>779</b>
Charge to other comprehensive income	-	(4,659)	-	-	<b>(4,659)</b>
(Charge) to equity	-	-	-	(125)	<b>(125)</b>
<b>At 31 December 2017</b>	<b>2,088</b>	<b>(2,032)</b>	<b>889</b>	<b>3,115</b>	<b>4,060</b>

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	<b>31 December 2017 €000</b>	<b>1 January 2017 €000</b>
Deferred tax assets	<b>6,092</b>	<b>8,065</b>
Deferred tax liabilities	<b>(2,032)</b>	<b>-</b>
<b>Net deferred tax reported in the statement of financial position</b>	<b>4,060</b>	<b>8,065</b>

At 31 December 2017, the company has no unused tax losses.

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17. Other provisions

	Employer's national insurance on share- based payments €000
At 2 January 2017	2,547
Charged to profit or loss	680
Utilised in the year	(814)
At 31 December 2017	<u>2,413</u>

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**18. Post-employment benefits**

The company participates in three 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", a defined contribution Plan with some underlying guarantees for employees called the "Johnson & Johnson UK Group Retirement Plan 16", and an unfunded, unapproved defined benefit arrangement.

The company also participates in a life assurance arrangement called the "Johnson & Johnson UK Approved Life Assurance Plan".

The risks of the plans are as follows:

*(a) Asset volatility*

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. However, the plan holds a significant proportion of equities, which are expected to outperform corporate bonds in the long-term but do provide increased volatility and risk in the short-term.

*(b) Changes in bond yields*

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

*(c) Life expectancy*

The majority of the plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities.

*(d) Inflation risk*

A significant proportion of the pension obligation is linked to inflation, and higher inflation will lead to higher liabilities.

A comprehensive actuarial valuation of the UK Group Retirement Plan was carried out at 31 March 2017. The valuation results at this date have been updated to 31 December 2017 by a qualified independent actuary. The valuation in the financial statements has been made based on the following assumptions:

	<b>Financial year ended 31 December 2017</b>	<i>Financial year ended 1 January 2017</i>
Expected rate of salary increases	<b>4.10 %</b>	4.20 %
Expected rate of increase of pensions in payment (with RPI capped at 5% per annum)	<b>3.10 %</b>	3.10 %
Discount rate	<b>2.60 %</b>	2.70 %
RPI inflation assumption	<b>3.10 %</b>	3.20 %
CPI inflation assumption	<b>2.10 %</b>	2.20 %

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18. Post-employment benefits (continued)

Assumptions regarding future mortality are set, based on actuarial advice, in accordance with published statistics and experience in the UK. These assumptions translate into an average life expectancy for a pensioner retiring at age 65:

	31 December 2017	1 January 2017
	Years	Years
Longevity at age 65 for current pensioners		
- Men	22.5	22.9
- Women	24.3	24.8
Longevity at age 65 for future pensioners		
- Men	23.7	24.6
- Women	26.1	27.1

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

There is a small unfunded unapproved pension arrangement for a small number of employees who were either affected by the old "Inland Revenue Earnings Cap" – which was abolished from 6 April 2006, or whose benefits are in excess of the Lifetime Allowance. These members' benefits are paid directly by the company. In addition, following the benefit changes that were implemented with effect from 1 April 2012 (and further benefit changes that were implemented with effect from 1 April 2014), more benefits are accrued outside of the registered pension arrangement. These benefits are also provided through this unfunded arrangement.

This unfunded arrangement has been included within the Johnson & Johnson UK Group Retirement Plan in determining the total plan assets and liabilities. The financial assumptions underlying the calculation of the unfunded, unapproved liability are identical to those underlying the calculation of the funded liability.

	Fair value of plan assets €000	Defined benefit obligation €000	Total €000
At 2 January 2017	161,307	(174,581)	(13,274)
Benefits paid	(3,855)	3,855	-
Employer and other contributions	9,029	(47)	8,982
Current service cost	-	(10,879)	(10,879)
Administrative expenses paid from plan	(237)	-	(237)
Foreign exchange differences	(6,700)	6,880	180
Interest income/ (expense)	4,309	(4,539)	(230)
Remeasurement gains	19,543	7,863	27,406
<b>At 31 December 2017</b>	<b>183,396</b>	<b>(171,448)</b>	<b>11,948</b>

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18. Post-employment benefits (continued)

The expected contributions to the UK Group Retirement Plan in the year ended 31 December 2017 are €8,629,000.

**Sensitivity analysis**

The sensitivity of the defined benefit obligation to changes in the weighted principal assumption is:

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.5%	Decrease by 10.3%	Increase by 11.5%
Pension growth rate	0.5%	Increase by 3.8%	Decrease by 4.6%
Life expectancy	1 year	Increase by 2.8%	Decrease by 2.8%

The above sensitivity analyses are based on a change in an assumption, while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

The total defined benefit cost recognised as an expense in the income statement is as follows:

	Financial year ended 31 December 2017 €000	Financial year ended 1 January 2017 €000
Current service cost	10,879	5,435
Foreign exchange differences and administrative expenses	57	(165)
Net interest expense/ (income)	230	(256)
	<u>11,166</u>	<u>5,014</u>

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**18. Post-employment benefits (continued)**

The fair value of the UK Group Retirement Plan assets was:

	<b>31 December 2017 €000</b>	<i>1 January 2017 €000</i>
Equity instruments	136,100	130,017
Debt instruments	43,975	27,361
Cash and cash equivalents	2,733	3,442
Other	588	487
	<u>183,396</u>	<u>161,307</u>

The return on the UK Group Retirement plan assets was:

	<b>Financial year ended 31 December 2017 €000</b>	<i>Financial year ended 1 January 2017 €000</i>
Interest income	4,309	5,315
Remeasurements	19,543	24,959
	<u>23,852</u>	<u>30,274</u>

**Johnson & Johnson Group Retirement Plan 16**

Plan 16 is a defined contribution plan with some underlying defined benefit guarantees.

The total contributions paid by the company to Plan 16 and recognised as a defined contribution expense in the year were €60,000 (2016: €65,000). The best estimate of the company contributions expected in the year from 1 January 2018 to 30 December 2018 to be paid to Johnson & Johnson UK Group Retirement Plan 16 is €20,000.

**19. Ordinary shares**

	<b>31 December 2017 €000</b>	<i>1 January 2017 €000</i>
<b>Shares classified as equity</b>		
<b>Allotted, called up and fully paid</b>		
100 Ordinary shares of £1 each	<u>-</u>	<u>-</u>

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**20. Share based payments**

Johnson & Johnson, the company's ultimate parent undertaking, operates a share option plan, a restricted stock unit plan (RSU), and a performance stock unit (PSU) plan, whereby options, RSUs and PSUs are granted to employees to acquire shares in Johnson & Johnson. The purpose of the plan is to motivate employees to contribute towards the creation of long-term shareholder value. The plan is an equity settled share based payment plan. Share options expire 10 years from the date of grant. Share options, RSUs and PSUs vest after three years. All options are granted at current market price on the date of grant. The company settles employee stock option exercises with treasury shares of the parent company.

The company recognises a share-based payment expense based on the fair value of the awards granted, and an equivalent credit directly in equity as a capital contribution.

On exercise of the shares by the employees, the company is charged the intrinsic value of the shares by Johnson & Johnson. This amount is treated as a reduction of the capital contribution and is recognised directly in equity.

The weighted average share price at the date of exercise for options exercised in the financial year was \$125.91 (2016: \$110.87).

Share options outstanding at the end of the financial year have the following expiry dates and exercise prices:

Year of expiry	Number of options	Weighted average exercise price (US\$)
2018	7,000	62
2019	19,000	58
2020	20,000	63
2021	17,000	62
2022	9,000	65
2023	36,000	73
2024	57,000	90
2025	55,000	100
2026	86,000	102
2027	71,000	116

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