

JOHNSON & JOHNSON LIMITED

ACCOUNTS

for the year ended  
31 December 1989

Coopers  
& Lybrand  
Deloitte

JOHNSON & JOHNSON LIMITED

Report of the directors  
for the year ended 31 December 1989

1 The directors present herewith the audited accounts for the year ended 31 December 1989.

Principal activities

2 The main activity of the company is the sale of toiletries and other personal health products.

Review of business and future developments

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

Both the level of business and the financial position at the end of the year were satisfactory.

Dividends

4 The directors declared and paid a dividend of £2,177,000 (1988: £1,601,000), representing £0.19 (£0.14) per share, on 13 December 1989.

Fixed assets

5 The movements in fixed assets during the year are set out in note 9 to the accounts.

Directors

6 The directors of the company at 31 December 1989 were:-

Mr J Mavroidis (Greek)	Managing director - appointed 1 October 1989
Mr J A Doumani (Australian)	- appointed 2 January 1989
Mr T T McManus (Irish)	- appointed 2 January 1989
Mr P B Harper	
Mr P Dupasquier (French)	Chairman
Mr R E Gennings	
Mr S J Cosgrove (American)	

The following resignations took place during the year:

Mr K H Ashwell	Managing director - resigned 30 September 1989
Mr A B Templeman	- resigned 31 January 1989
Mr P S Michaels (American)	- resigned 31 December 1989

#### Directors - continued

The following appointments and resignations of directors have taken place since the end of the financial year:-

Mr P B Harper	resigned 31 January 1990
Mr P Dupasquier (French)	resigned 1 February 1990
Mr H Gagnum (Norwegian)	Chairman - appointed 1 February 1990
Mr R S Gennings	resigned 28 February 1990
Mr J A Doumani	resigned 28 February 1990
Mr V P Pender	appointed 1 March 1990
Mr S J Cosgrove (American)	resigned 31 March 1990
Mr J S F Cunningham	appointed 1 April 1990
Mr Burdis	appointed 1 April 1990
Mr Hopkins	appointed 1 May 1990

#### Directors' interests in shares

7 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 31 December 1989, 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

8 During the year the company made no donations to political organisations. Donations to charitable institutions totalled £20,971 (1988 - £131,881).

#### Research and development

9 The company is heavily committed to research and development activities in order to bring new or improved products on to the personal health care market so as to maintain its position within the market. It is the company's policy to write off all such expenditure as incurred.

#### Employee involvement

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

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

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

Disabled persons

11 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.

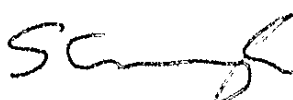
Close company provisions

12 As far as the directors are aware, the close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the company. There has been no change in this respect since the end of the financial year.

Auditors

13 Our auditors Coopers & Lybrand have merged their practice with Deloitte Haskins & Sells and now practise in the name of Coopers & Lybrand Deloitte. They have signed the auditors' report in their new name. A resolution to reappoint Coopers & Lybrand Deloitte as the company's auditors will be proposed at the annual general meeting.

BY ORDER OF THE BOARD



Foundation Park  
Roxborough Way  
Maidenhead  
Berkshire  
SL6 3UG

Date.

Report of the auditors to the members of  
JOHNSON & JOHNSON LIMITED

We have audited the accounts set out on pages 5 to 17 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31 December 1989 and of its profit and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*COOPERS & LYBURN* Debit

Chartered Accountants

Reading: 26 October 1990

JOHNSON & JOHNSON LIMITED

Profit and loss account  
for the year ended 31 December 1989

	<u>Notes</u>	<u>31 December</u> <u>1989</u> <u>£'000</u>	<u>1 January</u> <u>1989</u> <u>£'000</u>
Turnover	2	<u>61,634</u>	<u>57,632</u>
Profit on ordinary activities before taxation	3	<u>3,727</u>	<u>3,289</u>
Tax on profit on ordinary activities	8	<u>1,339</u>	<u>593</u>
Profit for the year		<u>2,388</u>	<u>2,696</u>

STATEMENT OF RETAINED PROFITS

Retained profits as at 2 January 1989	1,095	-
Profit for the year	2,388	2,696
Dividend paid	<u>2,177</u>	<u>1,601</u>
Retained profits at 31 December 1989	<u>1,306</u>	<u>1,095</u>

The notes on pages 8 to 17 form part of these accounts.

Auditors' report page 4.

	Notes	31 December 1989 £'000	1 January 1989 £'000
FIXED ASSETS			
Tangible assets	9	11,144	11,853
CURRENT ASSETS			
Stocks	10	6,181	6,660
Debtors	11	11,892	11,401
Cash at bank and in hand		2,199	227
		20,272	18,288
CREDITORS: amounts falling due within one year	12	15,806	14,603
NET CURRENT ASSETS			
		4,466	3,685
Total assets less current liabilities		15,610	15,538
CREDITORS: amounts falling due after more than one year	13	819	678
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	14	1,920	2,200
		2,739	2,878
		12,871	12,660
CAPITAL AND RESERVES			
Called up share capital	15	11,565	11,565
Profit and loss account		1,306	1,095
		12,871	12,660

*Samuel* ..... )  
*Mr. Manning* ..... ) Directors

The accounts were approved by the Board on 26 October 1990

The notes on pages 8 to 17 form part of these accounts.

Auditors' report page 4.

# JOHNSON & JOHNSON LIMITED

## Statement of source and application of funds for the year ended 31 December 1989

	31 December 1989		1 January 1989	
	£'000	£'000	£'000	£'000
<b>SOURCE OF FUNDS</b>				
Profit on ordinary activities before taxation		3,727		3,289
Adjustments for items not involving the movement of funds:				
Depreciation	2,036		1,749	
Loss on disposal of tangible fixed assets	358		64	
		2,394		1,813
Total generated from operations		6,121		5,102
Funds from other sources:				
Share capital issued	-		11,565	
Lease finance received	683		987	
Proceeds of sale of fixed assets	474		130	
Deferred tax liability transferred from holding company	-		2,586	
		1,157		15,268
Total source of funds		7,278		20,370
<b>APPLICATION OF FUNDS</b>				
Purchase of tangible fixed assets	2,159		13,796	
Dividend paid	2,177		1,601	
Finance lease payments	495		309	
Taxation paid	980		-	
Total application of funds		(5,811)		(15,706)
		1,467		4,664
<b>INCREASE IN WORKING CAPITAL</b>				
Stocks	(479)		6,660	
Debtors	491		11,401	
Creditors falling due within one year, excluding taxation and bank overdraft	(7,273)		(6,622)	
		(7,261)		11,439
Movement in net liquid funds:				
Cash at bank and in hand	1,972		227	
Bank loans and overdrafts	6,756		(7,002)	
		8,728		(6,775)
		1,467		4,664

Auditors' report page 4.



JOHNSON & JOHNSON LIMITED

Notes to the accounts : 31 December 1989

1 Principal accounting policies

A summary of the more important accounting policies, which have been consistently applied unless otherwise stated, is set out below.

(a) Accounting convention

The accounts have been prepared under the historical cost convention.

(b) Tangible fixed assets

Tangible fixed assets are stated at their purchase price, together with any incidental expenses of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets 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:-

	3
Computer equipment	20 - 33 1/3
Fixtures, fittings and equipment	10

Leasehold land and buildings are amortised over 30 years or, if shorter, the period of the lease.

(c) Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. The cost of raw materials is ascertained on the first in first out basis. The cost of work in progress and finished goods comprises the cost of direct raw materials and labour, together with the relevant proportion of overheads calculated according to the stage of production reached, based on the normal level of activity. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation and where appropriate, the cost of conversion from their existing state to a finished condition. Provision is made where necessary for obsolescent, slow moving and defective stocks.

(d) Taxation

The charge for taxation is based on the profit for the year as adjusted for disallowable items. Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is probable that a liability or asset will crystallise. Timing differences arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the accounts. Provision is made at the rate which is expected to be applied when the liability or asset is expected to crystallise.

JOHNSON & JOHNSON LIMITED

Notes to the accounts - 31 December 1989 - continued

(e) Foreign currencies

Trading transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling when the transaction was entered into. 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.

(f) Pension arrangements

The company participates in the Johnson & Johnson Group Pension Arrangements. The Group operates a funded defined benefit pension scheme for UK employees, and a small supplementary scheme for executives. The cost of providing future benefits is estimated by independent, qualified actuaries and spread over the expected service lives of current employees. Variations in pension cost are spread over the expected service lives of current employees.

This is a change in accounting policy to comply with Statement of Standard Accounting Practice number 24. In previous years, the charge to the profit and loss account was the actual amount of employers' contributions paid to the plan. The cumulative adjustment arising on the implementation of SSAP 24 is being spread over the average remaining service lives of current employees in accordance with the terms of the standard. The effect of this change is set out in note 6(c).

(g) Turnover

Turnover, which excludes value added tax and trade discount, represents the invoiced value of goods and services supplied.

(h) Operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term in arriving at the operating profit.

(i) Finance leases

Assets which are financed by leasing agreements that transfer substantially all the risks and rewards of ownership are capitalised in accordance with standard accounting practice. 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 and the finance costs are spread over the life of the lease. The assets are depreciated over their estimated useful lives.

(j) Advertising

Advertising and sales promotion expenditure is written off as it is incurred.

JOHNSON & JOHNSON LIMITEDNotes to the accounts - 31 December 1989 - continued(k) Research and development

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

2 Turnover

The geographical analysis of turnover is as follows:

	31 December 1989 £'000	1 January 1989 £'000
United Kingdom	44,604	41,406
Europe	3,055	3,234
Rest of the World	13,975	12,992
	<u>61,634</u>	<u>57,632</u>

3 Profit on ordinary activities before taxation

	31 December 1989 £'000	1 January 1989 £'000
Turnover (see note 2)	61,634	57,632
Change in stocks of finished goods and work in progress	(367)	5,507
Own work capitalised	74	90
Raw materials and consumables	(20,218)	(27,618)
Other external charges	(2,334)	(2,048)
Staff costs (see note 6(b))	(9,650)	(8,800)
Depreciation of tangible fixed assets	(2,036)	(1,749)
Other operating charges	(22,509)	(19,175)
Operating profit (see note 4)	<u>4,594</u>	<u>3,839</u>
Interest receivable and similar income	175	11
Interest payable and similar charges (see note 7)	(873)	(456)
Finance lease charges	(169)	(105)
Profit on ordinary activities before taxation	<u>3,727</u>	<u>3,289</u>

4 Operating profit

Operating profit is stated after charging:-

	31 December 1989 £'000	1 January 1989 £'000
Audit remuneration	36	30
Hire of motor vehicles and office equipment	409	454
Lease of land and buildings	1,023	847
Directors' emoluments (see note 5)	1,005	852
Depreciation of assets held under finance leases	212	155

JOHNSON & JOHNSON LIMITEDNotes to the accounts - 31 December 1989 - continued5 Directors' emoluments

## (a) Emoluments of directors, including pension contributions:-

	31 December 1989 £'000	1 January 1989 £'000
For management services	887	675
Compensation for loss of office	116	177
	<u>1,005</u>	<u>852</u>

## (b) Particulars of directors' emoluments, excluding pension contributions, disclosed in accordance with Part V of Schedule 5 of the Companies Act 1985, are as follows:-

	31 December 1989	1 January 1989
Emoluments of the chairman	£Nil	£Nil
Emoluments of the highest paid director	£182,173	£195,050

Number of directors, excluding those above, whose emoluments were within the ranges:-

£ Nil to £ 5,000	1	2
£ 5,001 to £ 10,000	-	1
£ 20,001 to £ 25,000	-	1
£ 40,001 to £ 45,000	-	1
£ 45,001 to £ 50,000	-	1
£ 55,001 to £ 60,000	1	-
£ 60,001 to £ 65,000	2	-
£ 65,001 to £ 70,000	-	1
£ 85,001 to £ 90,000	1	-
£ 95,001 to £100,000	-	2
£110,001 to £115,000	-	1
£115,001 to £120,000	-	1
£125,001 to £130,000	1	-
£140,001 to £145,000	2	-

Included in the above is remuneration amounting to £617,505 (1988 - £511,938) paid by the company on behalf of Johnson & Johnson International, USA, a fellow subsidiary company, to 4 directors (1988 - 6 directors) who were employees of that company.

JOHNSON & JOHNSON LIMITEDNotes to the accounts - 31 December 1989 - continued6 Employee information

- (a) The average number of persons employed by the company, including executive directors, during the year, is analysed below:-

	31 December 1989	1 January 1989
Production and distribution	391	438
Selling and marketing	87	92
Administration	85	92
Research and development	23	23
	<u>586</u>	<u>645</u>

- (b) Employment costs of all employees included above:-

	31 December 1989 £'000	1 January 1989 £'000
Gross wages and salaries	8,775	7,917
Employer's national insurance and state pension contributions	614	591
Employer's pension contributions under the company pension scheme	261	292
	<u>9,650</u>	<u>8,800</u>

- (c) The total pension cost for the company is after a credit of £325,000 attributable to the amortisation of pension fund surpluses which are being spread over the remaining service lives of current employees following the adoption of SSAP 24. Prior to the adoption of SSAP 24 the company utilised the surplus identified in the actuarial valuation to improve the benefits offered by the pension scheme with effect from 1 April 1988, and at 1 April 1987 to reduce the employer's contribution from the same date until 1 January 1989.

- (d) Number of employees whose emoluments were within the ranges:-

	31 December 1989	1 January 1989
£30,001 to £35,000	15	13
£35,001 to £40,000	7	4
£40,001 to £45,000	6	-
£45,001 to £50,000	-	1

7 Interest payable and similar charges

	31 December 1989 £'000	1 January 1989 £'000
Interest payable on loans wholly repayable within five years	<u>873</u>	<u>456</u>

JOHNSON & JOHNSON LIMITEDNotes to the accounts - 31 December 1989 - continued8 Tax on profit on ordinary activities

The tax charge is based on the profit on ordinary activities for the year and comprises:-

	31 December 1989 £'000	1 January 1989 £'000
Current year:-		
United Kingdom corporation tax at 35% (1988 - 35%) based on the profit for the year	1,618	979
Transfer from deferred taxation	(285)	(386)
	<u>1,333</u>	<u>593</u>
Prior year:-		
Corporation tax	1	-
Deferred taxation	5	-
	<u>1,339</u>	<u>593</u>

9 Tangible fixed assets

	Leasehold land and buildings £'000	Capital assets under construction £'000	Assets held under finance leases £'000	Fixtures, fittings & equipment £'000	Total £'000
<u>Cost</u>					
At 1 January 1989	6,181	654	987	10,318	18,140
Additions	161	319	683	996	2,159
Transfers	(54)	-	-	54	-
Disposals	(154)	-	(400)	(1,739)	(2,287)
At 31 December 1989	<u>6,134</u>	<u>973</u>	<u>1,270</u>	<u>9,635</u>	<u>18,012</u>
<u>Depreciation</u>					
At 1 January 1989	1,813	-	155	4,319	6,287
Charge for year	431	-	212	1,393	2,036
Transfers	(6)	-	-	4	-
Disposals	(82)	-	(117)	(1,256)	(1,455)
At 31 December 1989	<u>2,156</u>	<u>-</u>	<u>250</u>	<u>4,460</u>	<u>6,866</u>
<u>Net book value</u>					
At 31 December 1989	<u>3,976</u>	<u>973</u>	<u>1,020</u>	<u>5,175</u>	<u>11,144</u>
At 1 January 1989	<u>4,368</u>	<u>654</u>	<u>832</u>	<u>5,999</u>	<u>11,853</u>

JOHNSON & JOHNSON LIMITEDNotes to the accounts - 31 December 1989 - continued10 Stocks

The amounts attributable to the different categories are as follows:-

	31 December 1989 £'000	1 January 1989 £'000
Raw materials	1,041	1,153
Work in progress	645	710
Finished goods for resale	4,495	4,797
	<u>6,181</u>	<u>6,660</u>

11 Debtors

	31 December 1989 £'000	1 January 1989 £'000
Trade debtors	9,373	9,237
Amounts owed by holding company and fellow subsidiaries	1,722	1,715
Other debtors	124	167
Prepayments and accrued income (a)	673	282
	<u>11,892</u>	<u>11,401</u>

(a) Prepayments and accrued income includes a pension cost prepayment of £325,000 (a) to the adoption of SSAP 24, as described in note 1.

12 Creditors: amounts falling due within one year

	31 December 1989 £'000	1 January 1989 £'000
Bank loans and overdrafts	746	7,112
Trade creditors	2,368	3,112
Amounts owed to holding company and fellow subsidiaries	8,948	1,700
Other creditors including taxation and social security (see note (a) below)	2,184	1,814
Obligations under finance leases	201	154
Accruals and deferred income	1,859	624
	<u>15,806</u>	<u>14,603</u>

(a) Other creditors include UK corporation tax amounting to £1,618,000 (1988: £979,000).

JOHNSON & JOHNSON LIMITEDNotes to the accounts - 31 December 1989 - continued13 Creditors: amounts falling due after more than one year

	31 December 1989 £'000	1 January 1989 £'000
Obligations under finance leases	819	678
Obligations under finance leases fall due as follows:		
Under one year	315	226
In the second to fifth year inclusive	1,011	743
	1,326	969
Finance charges allocated to future periods	(306)	(137)
	1,020	832
Due within one year	201	154
Due after more than one year	819	678
	1,020	832

14 Deferred taxation

Details of the provision made for deferred taxation, which represents the full potential liability, and the movements in the provision are set out below:-

	31 December 1989 £'000	1 January 1989 £'000
Tax deferred by		
Accelerated capital allowances	1,958	2,224
Other timing differences	(38)	(24)
	1,920	2,200
	£'000	£'000
At 1 January 1989	2,200	-
Transferred from holding company		2,586
Transfers (to)/from the profit and loss account:		
Restatement of balance transferred to current corporation tax rate		(603)
Movement during year	(280)	217
At 31 December 1989	1,920	2,200



JOHNSON & JOHNSON LIMITEDNotes to the accounts - 31 December 1989 - continued15 Called up share capital

	<u>31 December</u> 1989	<u>1 January</u> 1989
Authorised:		
Ordinary shares of £1 each	£18,000,000	£18,000,000
Allotted, called up and fully paid:		
Ordinary shares of £1 each	£11,564,613	£11,564,613

16 Commitments and contingent liabilities(a) Capital expenditure

	<u>31 December</u> 1989 £'000	<u>1 January</u> 1989 £'000
Contracted for	51	284
Authorised by the directors but not contracted for	458	-
	509	284

(b) Lease commitments

- (i) The company leases land and buildings on short and long term leases. The annual rental payable under these leases amounts to £1,023,000 in 1990 (£969,000 in 1989). The rents payable under these leases are subject to renegotiation at various intervals specified in the leases. The company pays all insurance, maintenance and repairs of these properties.

- (ii) The company has annual financial commitments under operating leases for motor vehicles and equipment:-

	<u>31 December</u> 1989 £'000	<u>1 January</u> 1989 £'000
Leases expiring:		
Within one year	48	53
Between two and five years	40	97
	88	150

(c) Pension commitments

The Johnson & Johnson Group operates a funded defined benefit pension scheme for employees and a small supplementary arrangement for executives. The assets of both schemes are administered by Trustees and are held in separate funds.

JOHNSON & JOHNSON LIMITEDNotes to the accounts - 31 December 1989 - continuedCommitments and contingent liabilities continued

The pension cost and funding arrangements relating to the UK scheme are assessed in accordance with the advice of a qualified actuary using the Projected Unit Method. The latest formal valuation was as at 1 April 1987. It was assumed that investment returns would be 9% per annum, that salary increases (including promotion) would average 7.5% per annum and that present and future pensions would increase at 3% per annum. Assets were considered by valuing the discounted income assuming a notional reinvestment in an equity index with dividend growth of 4% per annum. At that date the market value of the assets of the scheme was £26,937,716. The actuarial value of the assets was sufficient to cover 114% of the benefits that had accrued to members after allowing for expected future increases to earnings.

The expected pension cost for the year in these financial statements has been based on revised assumptions of investment returns at 9.5% per annum and a dividend growth rate of 4.5% p.a., and charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees in the scheme.

In respect of the supplementary scheme the amount charged to the profit and loss account is funded contributions as both the size of the fund and the number of employees in this scheme are very small in comparison with the main scheme.

The last actuarial valuation of the supplementary scheme, which was as at 2 December 1986, showed a deficit of £101,327 in respect of Johnson & Johnson Limited. However, based on professional advice, the trustees are of the opinion that this shortfall will be funded through the current level of contributions, taking account of the current profile of the membership.

(d) Contingent liabilities

	<u>31 December</u> <u>1989</u>	<u>1 January</u> <u>1989</u>
Indemnity bonds for temporary importation and performance	46	256

17 Ultimate holding company

The ultimate holding company is Johnson & Johnson, which is incorporated in the United States of America.

Auditors' report page 4.