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**JOHNSON & JOHNSON UK TREASURY COMPANY LIMITED**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 29 DECEMBER 2019**

TUESDAY



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# JOHNSON & JOHNSON UK TREASURY COMPANY LIMITED

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## CONTENTS

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	Page(s)
Company information	1
Directors' report	2 - 4
Independent auditors' report	5 - 6
Income statement	7
Statement of financial position	8
Statement of changes in equity	9
Notes to the financial statements	10 - 20

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## JOHNSON & JOHNSON UK TREASURY COMPANY LIMITED

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### COMPANY INFORMATION

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<b>Directors</b>	L Freyne V Dawkins (appointed 24 November 2020) S Didier (appointed 24 November 2020) K Sidey (appointed 24 November 2020)
<b>Registered number</b>	09911936
<b>Registered office</b>	Pinewood Campus Nine Mile Ride Wokingham Berkshire RG40 3EW
<b>Independent auditors</b>	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 3 Forbury Place 23 Forbury Road Reading Berkshire RG1 3JH

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## JOHNSON & JOHNSON UK TREASURY COMPANY LIMITED

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### DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 29 DECEMBER 2019

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The directors present their annual report and the audited financial statement of the company for the financial year ended 29 December 2019.

The company's reporting period ends on the Sunday closest to 31 December, being 29 December 2019 for the current year (52 weeks) and 30 December 2018 for the prior year (52 weeks).

#### Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards comprising 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 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 financial statements comply with the Companies Act 2006.

#### Directors' confirmations

In the case of each director in the office at the date the Director's report is approved:

- so far as the director is 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 been 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.

#### Results and dividends

The income statement for the financial year is set out on page 7.

The company's profit for the financial year amounted to \$683,000 (year ended 30 December 2018: \$4,374,000). No interim dividends were paid during the financial year and there are no proposed dividends awaiting approval at 29 December 2019.

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## JOHNSON & JOHNSON UK TREASURY COMPANY LIMITED

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### DIRECTORS' REPORT (CONTINUED) FOR THE FINANCIAL YEAR ENDED 29 DECEMBER 2019

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#### Events since the year end

On 21 September 2020, Grail Inc., in which the company holds an investment (note 9), announced that it had entered into a definitive agreement under which Illumina Inc. will acquire Grail Inc. for upfront consideration of \$8Bn and additional contingent value rights (\*). This is expected to complete in the second half of 2021 subject to regulatory approval. In addition on 26 November 2020, Grail Inc. announced a partnership with the UK National Health Service which is expected to involve making Grail's multi-cancer early detection blood test available to UK patients starting in 2021.

(\*) subject to the details as described in Illumina's SEC filings.

The Company continues to hold its investment in Grail Inc. at a net book value of \$203,907k and does not anticipate any impairment as a result of these announcements.

As of the financial statement issuance date, the country, region and world are continuing to be impacted by the coronavirus (COVID-19). This outbreak is classified as non-adjusting event after the reporting date. Although the situation is still evolving at the date of issue of these financial statements, there is no tangible impact on the Company's results to date, however, the impact of this situation on the Company in the future cannot be predicted. Management will continue to closely monitor the potential impact of these events and will take all possible measures to mitigate possible consequences.

#### Going concern

Management have considered the impact of the COVID-19 pandemic on the company's ability to continue as a going concern and are satisfied with that basis having reviewed forecasts and future cashflows.

#### 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:

W Bowler (resigned 24 November 2020)  
G A Devonshire (resigned 24 November 2020)  
L Freyne  
C R Thorne (resigned 29 March 2019)  
V Dawkins (appointed 24 November 2020)  
S Didier (appointed 24 November 2020)  
K Sidey (appointed 24 November 2020)

#### Future outlook

The directors do not expect any significant changes to the company's activities in the future.

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JOHNSON & JOHNSON UK TREASURY COMPANY LIMITED

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DIRECTORS' REPORT (CONTINUED)  
FOR THE FINANCIAL YEAR ENDED 29 DECEMBER 2019

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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 price risk, credit risk, 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 actively maintains a mixture of long-term and short-term debt finance that is designed to ensure the company has sufficient funds available for its activities.

*Interest rate cash flow risk*

The company has interest bearing assets. 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 conducts transactions in foreign currencies. The company manages its foreign exchange risk by hedging its significant exposures through a group hedging scheme.

**Business Impact in Relation to Brexit**

The United Kingdom (UK) withdrew from the European Union (EU) on 31 January 2020. The transition period is due to last until 31 December 2020. During this period, the UK will remain both within the EU customs union and single market.

During the transition period negotiations will take place between the UK and EU to finalize terms within the withdrawal agreement, which include trade terms between the two parties. As a result it is difficult to evaluate all of the potential implications on the Company's trade, customers, suppliers and the wider economy. As at date of signing these accounts the negotiations were still ongoing.

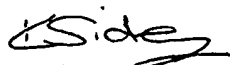
**Independent auditors**

PricewaterhouseCoopers LLP, have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place in accordance with section 487 of the Companies Act 2006 for them to be reappointed as auditors in the absence of an Annual General Meeting.

**Small companies note**

The directors have taken exemption from the requirement to prepare a Strategic Report Section 414(B) of the Companies Act 2006.

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



K Sidey  
Director

Date: 23/12/2020

# ***Independent auditors' report to the members of Johnson & Johnson UK Treasury Company Limited***

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

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### **Opinion**

In our opinion, Johnson & Johnson UK Treasury Company Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 29 December 2019 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 29 December 2019; the income statement and 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 where:

- 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.

### **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 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.

### *Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 29 December 2019 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 Directors' Report.

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### **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 in respect of the financial statements set out on page 2, 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.

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.

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## **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.

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### **Entitlement to exemptions**

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



Claire Turner (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Reading  
23 December 2020



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JOHNSON & JOHNSON UK TREASURY COMPANY LIMITED

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INCOME STATEMENT  
FOR THE FINANCIAL YEAR ENDED 29 DECEMBER 2019

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		Financial year ended 29 December 2019 \$000	Financial year ended 30 December 2018 \$000
	Note		
Administrative expenses		(9)	(20)
<b>Operating loss</b>	4	(9)	(20)
Income from other fixed assets investments	9	-	3,907
Interest receivable and similar income	7	692	487
<b>Profit before income tax</b>		683	4,374
Income tax expense	8	467	(686)
<b>Profit for the financial year</b>		1,150	3,688

The company has no other comprehensive income for 2019 and 2018 other than the results above, and therefore no separate statement of other comprehensive income has been prepared.

All amounts relate to continuing operations.

The notes on pages 10 to 20 form part of these financial statements.

JOHNSON & JOHNSON UK TREASURY COMPANY LIMITED  
REGISTERED NUMBER: 09911936

STATEMENT OF FINANCIAL POSITION  
AS AT 29 DECEMBER 2019

	Note	29 December 2019 \$000	30 December 2018 \$000
<b>Non current assets</b>			
Investments	9	203,907	203,907
		<u>203,907</u>	<u>203,907</u>
<b>Current assets</b>			
Trade and other receivables	10	36,906	35,569
Cash and cash equivalents	1	1	1
		<u>36,907</u>	<u>35,570</u>
Trade and other payables: amounts falling due within one year	11	(920)	(733)
<b>Net current assets</b>		<u>35,987</u>	<u>34,837</u>
<b>Net assets</b>		<u><u>239,894</u></u>	<u><u>238,744</u></u>
<b>Capital and reserves</b>			
Capital contribution		235,000	235,000
Retained earnings		4,894	3,744
<b>Total equity</b>		<u><u>239,894</u></u>	<u><u>238,744</u></u>

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

  
K Sidey  
Director

Date: 23/12/2020

The notes on pages 10 to 20 form an integral part of these financial statements.

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**JOHNSON & JOHNSON UK TREASURY COMPANY LIMITED**

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**STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 29 DECEMBER 2019**

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	Capital contribution \$000	Retained earnings \$000	Total equity \$000
<b>At 1 January 2018</b>	<b>235,000</b>	<b>56</b>	<b>235,056</b>
Profit for the financial year	-	3,688	3,688
<b>Total comprehensive income for the financial year</b>	<b>-</b>	<b>3,688</b>	<b>3,688</b>
<b>At 30 December 2018</b>	<b>235,000</b>	<b>3,744</b>	<b>238,744</b>
Profit for the financial year	-	1,150	1,150
<b>Total comprehensive income for the financial year</b>	<b>-</b>	<b>1,150</b>	<b>1,150</b>
<b>At 29 December 2019</b>	<b>235,000</b>	<b>4,894</b>	<b>239,894</b>

The notes on pages 10 to 20 form an integral part of these financial statements.

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## JOHNSON & JOHNSON UK TREASURY COMPANY LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 29 DECEMBER 2019

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#### 1. General information

Johnson & Johnson UK Treasury Company Limited ('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: Pinewood Campus, Nine Mile Ride, Wokingham, Berkshire, England, RG40 3EW. The company provides financial and treasury services to other companies within the Johnson & Johnson group.

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 the company 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 Management Limited and of its ultimate parent, Johnson & Johnson, it is exempt by virtue of section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

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 12 month financial year beginning 31 December 2018 and ending 29 December 2019.

The company's reporting period ends on the Sunday closest to 31 December, being 29 December 2019 for the current year (52 weeks) and 30 December 2018 for the prior year (52 weeks).

#### 2. Accounting policies

##### 2.1 Basis of preparation

The financial statements of Johnson & Johnson UK Treasury Company Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared on the going concern basis under the historical cost convention, unless otherwise stated in the notes to the financial statements and in accordance with the Companies Act 2006. The principal accounting policies which have been consistently applied throughout the year are set out below.

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.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 29 DECEMBER 2019

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**2. Accounting policies (continued)**

**2.1 Basis of preparation (continued)**

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.

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, ultimate 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.

The company has taken advantage of the following disclosure exemptions, where applicable under FRS 101:

- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A 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, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 29 DECEMBER 2019

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**2. Accounting policies (continued)**

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

IFRS 16 is a new accounting standard that is effective for accounting period starting on or after 1 January 2019 and therefore not applicable during this financial year. There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 29 December 2019 that have had a material impact on the company's financial statements.

**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 US dollar (US\$), which is also the company's functional currency and unless otherwise stated the financial statements have been presented in thousands ('000).

*(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 Financial instruments**

The company classifies its financial assets in the following categories: at amortised cost; and at fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

At initial recognition, the company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset.

Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Financial liabilities are measured at amortised cost.

*(a) Financial assets at amortised cost.*

The company classifies its financial assets as at amortised cost if the recognition criteria is met. Subsequent to initial recognition these are measured at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 29 DECEMBER 2019

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**2. Accounting policies (continued)**

**2.4 Financial instruments (continued)**

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

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' and are categorised as fair value through profit or loss.

The following financial assets are classified at fair value through profit or loss (FVTPL):

- Debt investments that do not qualify for measurement at amortised cost
- Equity investments that are held for trading, and
- Equity investments for which the entity has not elected to recognised fair value gains and losses through OCI

*(c) Financial liabilities at amortised cost*

Financial liabilities are measured at amortised cost.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Trade payables are presented as amounts falling due within one year unless payment is not due within 12 months after the reporting period.

**2.5 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.

**2.6 Investments in subsidiaries**

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

*Impairment*

The company assesses at the end of each financial year, whether there are any indicators that an investment is impaired. This process involves consideration of internal sources of information, including dividend distributions, foreign exchange movements, plans or events expected to take place in the near future. Where an impairment indicator is identified, an assessment is made to impair the carrying value of investment to the higher of fair value less costs to sell or its value in use. When an impairment loss is recognised, if applicable, the impairment will be recognised within the current year income statement.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 29 DECEMBER 2019

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**2. Accounting policies (continued)**

**2.7 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 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 balance sheet date and are expected to apply when the related deferred income tax asset 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.

**2.8 Dividend income**

Dividend income is recognised when the right to receive payment is established.

**2.9 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.

**2.10 Called up share capital**

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.

**3. Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.



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## JOHNSON & JOHNSON UK TREASURY COMPANY LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 29 DECEMBER 2019

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#### 3.1 Critical accounting estimates and assumptions

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) Carrying value of amounts due from fellow subsidiaries*

The directors make an assessment at the end of each financial year of whether there is objective evidence that amounts due from fellow subsidiaries are impaired. When assessing impairment of amounts due from fellow subsidiaries, the directors consider factors including the credit rating of the counterparty, reviewing any significant events since the end of the financial year and the impact of any restructuring within the group. The directors make a decision on any impairment based on this assessment.

##### *(b) Carrying value of investments*

The value of the company's investments is shown at cost. Assessing this value involves consideration of whether there are objective indicators of impairment, and, in the event that there are such indicators, the effect that these may have on the investment balance.

#### 3.2 Critical judgements in applying the entity's accounting policies

The company's management considers that there are no significant judgements impacting the financial statements.

#### 4. Operating loss

The operating loss is stated after charging/(crediting):

	<b>Financial year ended 29 December 2019 \$000</b>	<i>Financial year ended 30 December 2018 \$000</i>
Exchange differences	<b>1</b>	<i>(6)</i>

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JOHNSON & JOHNSON UK TREASURY COMPANY LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 29 DECEMBER 2019

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5. Auditors' remuneration

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

	Financial year ended 29 December 2019 \$000	Financial year ended 30 December 2018 \$000
Audit of entity financial statements (including expenses)	20	8

6. Employees

The company does not have any employees (2018: none) and there were no staff costs incurred during the financial year (2018: \$nil). The directors did not receive any emoluments in respect of their services to the company for the financial year (2018: \$nil).

7. Interest receivable and similar income

	Financial year ended 29 December 2019 \$000	Financial year ended 30 December 2018 \$000
Interest receivable from group companies	692	487
	692	487

8. Income tax expense

	Financial year ended 29 December 2019 \$000	Financial year ended 30 December 2018 \$000
<b>Corporation tax</b>		
Current tax on profits for the financial year	130	686
Adjustments in respect of previous periods	(597)	-
<b>Total current tax</b>	<b>(467)</b>	<b>686</b>

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JOHNSON & JOHNSON UK TREASURY COMPANY LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 29 DECEMBER 2019

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8. Income tax expense (continued)

Factors affecting tax charge for the financial year

The tax assessed for the financial year is the same as (2018 - lower than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	Financial year ended 29 December 2019 \$000	Financial year ended 30 December 2018 \$000
Profit before tax	683	4,374
Profit before tax multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	130	831
Effects of:		
Adjustments to tax charge in respect of prior periods	(597)	-
Income not subject to tax due to indexation allowance	-	(145)
Total tax charge for the financial year	(467)	686

Factors that may affect future tax charges

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

**JOHNSON & JOHNSON UK TREASURY COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 29 DECEMBER 2019**

**9. Investments**

	<b>Investments in Grail Inc. \$000</b>
<b>Cost</b>	
At 31 December 2018	<b>203,907</b>
At 29 December 2019	<b>203,907</b>
<b>Net book value</b>	
At 29 December 2019	<b>203,907</b>
At 30 December 2018	<b>203,907</b>

On February 28 2017, the company invested \$225,000,000 to acquire 56,130,722 preference shares in Grail Inc., a company incorporated in the United States of America. Grail Inc. is involved in the development of blood screening tests for early cancer detection.

On 21 May 2018, the company sold 5,262,051 preference shares in Grail, Inc. the sale proceeds were \$25,000,004.31 compared to the original acquisition value of \$ 21,093,000.00 as a result the Company has recorded a gain on sale on the preference shares of \$3,907,072.81.

**10. Trade and other receivables**

	<b>29 December 2019 \$000</b>	<b>30 December 2018 \$000</b>
Amounts owed by group undertakings	<b>36,216</b>	35,569
Corporation tax receivable	<b>690</b>	-
	<b>36,906</b>	35,569

Amounts owed by group undertakings are unsecured, interest bearing and repayable on demand.

**JOHNSON & JOHNSON UK TREASURY COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 29 DECEMBER 2019**

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

	<b>29 December 2019 \$000</b>	<i>30 December 2018 \$000</i>
Trade payables	8	9
Amounts owed to group undertakings	910	54
Corporation tax	-	670
Derivative financial instruments (note 12)	2	-
	<u>920</u>	<u>733</u>

Amounts owed to group undertakings are unsecured, non-interest bearing and repayable on demand.

**12. Derivative financial instruments**

The company has the following liabilities held at fair value through profit or loss.

	<b>29 December 2019 \$000</b>	<i>30 December 2018 \$000</i>
Forward foreign exchange contracts	<u>2</u>	<u>-</u>

The company enters into forward foreign currency contracts to mitigate the exchange rate risk for certain foreign currency receivables and payables. The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key assumptions used in valuing derivatives are the exchange rates for USD: GBP.

**13. Called up share capital**

	<b>29 December 2019 \$</b>	<i>30 December 2018 \$</i>
Shares classified as equity		
<b>Allotted, called up and fully paid</b>		
100 (2018 - 100) Ordinary shares of \$1 each	<u>100</u>	<u>100</u>

**14. Capital contribution**

The company received a capital contribution from its parent, Johnson & Johnson Management Limited, for the amount of \$235,000,000 during the financial period ended 1st January 2017.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 29 DECEMBER 2019

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**15. Events since the year end**

On 21 September 2020, Grail Inc., in which the company holds an investment (note 9), announced that it had entered into a definitive agreement under which Illumina Inc. will acquire Grail Inc. for upfront consideration of \$8Bn and additional contingent value rights (\*). This is expected to complete in the second half of 2021 subject to regulatory approval. In addition on 26 November 2020, Grail Inc. announced a partnership with the UK National Health Service which is expected to involve making Grail's multi-cancer early detection blood test available to UK patients starting in 2021.

(\*) subject to the details as described in Illumina's SEC filings.

The Company continues to hold its investment in Grail Inc. at a net book value of \$203,907k and does not anticipate any impairment as a result of these announcements.

As of the financial statement issuance date, the country, region and world are continuing to be impacted by the coronavirus (COVID-19). This outbreak is classified as non-adjusting event after the reporting date. Although the situation is still evolving at the date of issue of these financial statements, there is no tangible impact on the Company's results to date, however, the impact of this situation on the Company in the future cannot be predicted. Management will continue to closely monitor the potential impact of these events and will take all possible measures to mitigate possible consequences.

**Going concern**

Management have considered the impact of the COVID-19 pandemic on the company's ability to continue as a going concern and are satisfied with that basis having reviewed forecasts and future cashflows.