Registered number: 1027904

JANSSEN-CILAG LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 3 JANUARY 2021

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COMPANY INFORMATION

Directors	S Anderson G Leblay S Fraser (appointed 1 January 2020) R Ilbert (appointed 1 January 2020) L Aerts V Patroe (appointed 6 October 2020)
Registered number	1027904
Registered office	50-100 Holmers Farm Way High Wycombe Buckinghamshire HP12 4EG
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 3 Forbury Place 23 Forbury Road Reading Berkshire RG1 3JH
Bankers	Royal Bank of Scotland Plc Corporate Banking Office PO Box 450 5-10 Great Tower Street London EC3P 3HX
Solicitors	CMS Cameron McKenna LLP Cannon Place 78 Cannon Street London EC4N 6AF

STRATEGIC REPORT
FOR THE FINANCIAL YEAR ENDED 3 JANUARY 2021

The directors present their Strategic report on the company for the financial year ended 3 January 2021.

Principal activities

The principal activities of the company are the sale and distribution of pharmaceutical products.

Business review

Overall the directors are satisfied with the performance of the company during the year and its financial position at the year end. The company has continued to progress during 2020, and the development of new and existing products and processes continues to be important to success in all areas of the business.

The key financial and other performance indicators during the year were as follows:

	2020	2019	Change
	£000	£000	%
Revenue	703,604	575,824	22 %
Operating profit	15,000	48,133	(69)%
Total Equity	205,296	176,591	16 %
Average number of employees	1,068	959	11 %

The results and dividends section within the Directors' report and the income statement on page 15 show the full results for the financial year.

Revenue has increased by 22% year on year, due to strong organic growth of Janssen key brands, inclusion of Actelion portfolio, increased clinical trial sales and a lower VPAS rate compared to 2019.

These positive dynamics were only partly offset by impacts of COVID-19 and products losing exclusivity.

Operating profit has decreased by 69% due to an increase of the past service cost on the pension scheme.

Total equity has increased by 16% year on year due to the actuarial gain on the pension scheme and the profit for the year.

The statement of financial position on page 17 of the financial statements shows the company's financial position at the end of the year.

The average number of employees has increased by 11% year on year.

Future Outlook

From the operational point of view, directors are confident that business will grow going forward. The external commercial environment is expected to remain competitive in 2021, as new competitive regimens are expected to become available for patients.

The directors' consideration of Brexit and COVID-19 is outlined within the Directors report.

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 be competition from both national and independent pharmaceutical companies, market access for new products, employee retention, austerity measures, and product availability. The risks and uncertainties are managed at regular board meetings, and where applicable, actions are taken to mitigate the risks.

STRATEGIC REPORT (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 3 JANUARY 2021

Section 172 Report

Section 172 ("**section 172**") of the Companies Act 2006 ("**Act**") states that a director of a company must act in a way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to the:

a. likely consequences of the decision in the long term;
b. interests of the company's employees;
c. need to foster the company's business relationships with suppliers, customers and others;
d. impact of the company's operations on the community and the environment;
e. desirability of the company maintaining a reputation for high standards of business conduct; and
f. need to act fairly between members of the company.

The company is part of the Johnson & Johnson sub-group of companies in the UK and is ultimately owned by Johnson & Johnson. It is a member of the wider Johnson & Johnson international group of companies ("**Group**"). The Company has a culture of high standards of business conduct, which the directors ensure is maintained throughout the Company's operations and ultimately underpinned by ***Our Credo***. It is the Group's values and principles as set out in ***Our Credo***, together with the duties and responsibilities which the directors are subject to by virtue of the Act and other applicable law and regulation, which guide the directors' decision-making.

Decision making and corporate governance process

The Company's management is structured to align to the Company's objectives and strategy and those of the wider Group. Authority for day-to-day management of the Company is delegated to individual operational and functional managers who have clear processes to follow when considering decisions, including principal decisions which impact the Company's key stakeholders. Common with other international groups, certain of these operational and functional managers have a wider Group remit. Responsibility for decision making on certain matters is delegated to the key operational and functional management within the Group except where they cannot be delegated under the Act. Strategic critical decisions are made at board level.

All employees, including the Company's operational and functional managers, are required to comply with the ethical values and principles set out in ***Our Credo*** which is further supported by the Company's Code of Business Conduct. Each employee is expected to keep up to date with these ethical values and principles and they are supported in doing so through business led training. Certain employees, determined according to the risk profile of their role, undertake annual advanced compliance training covering Anti-Bribery, Anti-Trust, Anti-Fraud and Anti-Theft. The training provided enables the directors to be committed to operating the business to the highest ethical, moral and legal standards when making decisions and putting the Group's core ethical values of integrity, honesty and respect for the law into practice in their daily duties. The directors monitor compliance with training requirements.

Director meetings are held as required where the directors consider the Company's activities and make and approve decisions, as appropriate. Business strategies and decisions are subject to a rigorous review process involving various levels of employees from numerous departments. As part of the Company's governance framework, information submitted to the directors and operational and functional managers to support decision-making must be prepared to a high standard of accuracy and integrity and provide sufficient information to enable directors to discharge their duties effectively. The governance process provides a framework to ensure everyone involved in and contributing to the decision-making process understands the duties which the directors are subject to and the factors which they are required to have regard to.

Potential legal and ethical risks which may compromise the performance of the Company are monitored and discussed in senior management and risk and compliance meetings. Stakeholders from within the wider Johnson & Johnson Group are consulted with on key business decisions where appropriate and their input on Company strategy and objectives sought.

The directors acknowledge that the views of, and effects on, the Company's key stakeholders in regard to key business decisions are of critical importance to the continued success of the Company.

Stakeholder engagement

As a member of a global healthcare group, the Company interacts with numerous stakeholder groups at the global, national and local levels. ***Our Credo***, written more than 75 years ago, identifies and embraces the diversity of stakeholders to whom the Group is responsible, and serves as our guide to creating long-term value for our Company and for society. Ongoing and proactive engagement with these groups provides valuable insight into our stakeholders' perspectives which in turn enables us to consider their interests in Company decision-making processes. It enables the Company to develop products and services that are responsive to their needs.

Employees

The directors recognise that the Company owes its success to its employees and those of the wider Johnson & Johnson Group. The directors are aware of their responsibility to the Company's employees and further recognise that key to providing an inclusive work environment, where individuals have a sense of fulfilment and purpose in their roles, is regular consultation on matters affecting the Company and them individually.

The Company continually communicates with its employees through a variety of formats and media leveraging Group functions and initiatives. Through these forums, the Company provides employees with information on matters that are of concern to them as well as obtaining their views on Company matters likely to affect them or in which they may be interested. The engagement forums used by the Company include formal and informal meetings, offline and online communication including newsletters, 'Town Hall' meetings, Leadership blogs, digital daily digests, quarterly business updates, TED talks and events, conferences, ***Our Credo*** survey, webcasts and seminars and through employee representative forums. In light of the COVID-19 pandemic much of the Company's engagement initiatives in this financial year have been through online and electronic means. The Company also operates a 24/7 toll free employee hotline, run by external providers, to offer employees an alternative method of voicing their views outside of normal business channels. An Escalation Procedure is also in place by which employees can bring issues of concern to the attention of senior management.

During the financial year, the Company has engaged with employees on a variety of key business matters including talent acquisition and career opportunities, health and well-being, COVID-19 pandemic crisis management response, awareness and support, ethical business practices, Environmental, Social and Governance (ESG) priorities, business performance, sustainable innovation, workplace health and safety, compensation and benefits, diversity and inclusion, human rights, community engagement initiatives, access to and affordability of medicines and data protection and privacy, In the last financial year the Company consulted widely with employees on the Company's return to workplace policies following easing of the COVID-19 restrictions. The feedback received from employees was shared with and then factored into the directors' decisions on return to work, working from home and health & safety policies and protocols. In the last financial year the Board also endorsed a recommendation to implement a more formal Conflict of Interest process where conflicts of interest registers were maintained by each MRC and regularly discussed at the management boards of those MRC's with that a 'roll-up' register was then made to the statutory board of the Company.

Employees have the ability to participate in a share option plan operated by the Company's ultimate parent company Johnson & Johnson. The purpose of the plan is to motivate employees to contribute towards the creation of long-term shareholder value whilst providing them with an opportunity to share in the wider Group's success.

Suppliers

The directors recognise that the success of the Company depends on its ability to collaborate with suppliers that not only provide the highest quality products and services, but are philosophically and strategically aligned with the Company's commitment to patient well-being and the Company's social and environmental responsibilities.

Each supplier engaged by the Company is required to uphold the Group's ***Our Credo*** values and comply with the Group's Code of Business Conduct and Responsibility Standards for Suppliers. The Group has in place an audit and assurance programme against which suppliers' adherence to these standards and applicable legal and regulatory requirements is regularly monitored and assessed. As a company we maintain robust continuity plans across our global supply chain network to prepare for unforeseen events and to meet the needs of patients, customers and consumers who depend on our products and services.

Suppliers (continued)

The Company seeks to foster its business relationship with its suppliers through a number of engagement initiatives including direct engagement by product category leaders, collaborative partnerships, face-to-to face meetings, surveys and scorecards and through participating in initiatives such as the Group's Sustainable Procurement and Supplier Diversity Programmes.

During the financial year, the Company has engaged with suppliers on a variety of Company initiatives and matters including its environmental and sustainability, information security and data privacy and COVID-19 crisis management and supply continuity in response to COVID-19. The Company implemented a Supplier Sustainability Programme, which was led by the Company's procurement team. The programme is designed to implement the Company's Responsibility Standards and aims to foster a culture of conformance, transparency, disclosure and excellence in Environment, Social and Ethical business practices. Supplier feedback is incorporated into the programme and the results of the feedback incorporated into programme and policy improvements.

The directors monitor payment performance to the Company's suppliers and to ensure the Company complies with the wider Group's fair payment policies.

Patients, Customers and Consumers

Enshrined in ***Our Credo*** is a recognition that the Group's first responsibility is to the patients, doctors and nurses, customers, consumers and all others who use Johnson & Johnson's products and services. The well-being of patients is the reason for the Company's existence.

The Company works closely with patients, customers and healthcare professionals. The Company seeks to foster its business relationship with such groups through a variety of forums and initiatives from clinical trials, patient or patient organisation focus groups, advisory boards, direct contact through sales, via dedicated customer relationship managers, customer engagement via market access managers, attendance at industry trade groups and meetings and through the Company's websites and social media platforms.

The Company regularly seeks patient and healthcare professional input on matters such as patient pathways, patient facing literature and solutions, access to our medicines, and training requirements. A high level overview of adverse events reported to the Company is routinely reported to the Board at meetings and the directors question and seek to understand, and act upon, trends in this data to ensure the continued safety of patients. Broader stakeholder engagement is shared with the Board at meetings via a business update from the Chairperson, which covers key industry engagement on issues of strategic importance to the Company and which then factors into decisions taken by the Board.

A key issue addressed by the Board in this financial year has been the impact of Brexit upon the supply of the Company's products in Northern Ireland and the directors have had regard to the potential impact on patients and healthcare professionals in Northern Ireland in endorsing recommendations from management as to appropriate steps to ensure continued supplies during periods of uncertainty and disruption. The financial impact to the company for this issue is immaterial.

The directors recognise that working with these stakeholders is key to the Company's success as it helps the Company better understand the needs of patients living with diseases and conditions that the Company is committed to help, prevent, treat and cure.

Environment and communities

The directors believe that human health is inextricably linked to environmental health and recognise the need to protect the environment and natural resources. Much of the Company's environmental and sustainability initiatives are managed and delivered centrally through wider Group initiatives including the Group's 2018 New Plastics Economy Global Commitment, Healthy Lives Mission, We Sustain Sustainability Accelerator Grants challenge and We Sustain Environmental sustainability employee programme. The Group has made a series of public commitments in respect of advancing climate resilience, water and waste management and improving product sustainability.

Environment and communities (continued)

In 2016, the Group announced its commitment to support the United Nations Sustainable Development Goals and in 2020 the Group launched its 4th generation science based climate commitments, setting out renewed goals to source 100% of the Group's electricity needs from renewable resource by 2025, achieve carbon neutrality in Group operations by reducing absolute Scope 1 and 2 emissions 60% from 2016 levels and by reducing absolute upstream value chain (Scope 3) emissions 20% from 2016 levels in each case by 2030.

In June 2020, the Group renewed its position on sustainable products and packaging committing to:

- assess lifecycle environmental impacts across product categories and platforms to identify opportunities for improvement;
- integrate sustainability considerations at the design phase of new products to identify potential environmental improvements;
- selecting and sourcing more sustainable ingredients;
- apply green chemistry and engineering principles in design and manufacturing;
- developing more sustainable packaging including designing for recyclability; and
- managing product end-of-life impacts.

The directors and operational and functional management are responsible for ensuring the Company participates in achieving these Group wide targets. Consideration of these targets, together with wider environmental impact considerations are incorporated into the Company's decision making processes.

The Company also partners with other Johnson & Johnson Group UK companies in the delivery of the Group's Corporate Social Responsibility Vision to transform lives in the local communities in which the Company operates by supporting those at the heart of delivering care and reducing health inequities. ***Our Credo*** recognises the Group's responsibility to the communities in which we live and work and the world community as well. To achieve this Vision, the UK Group companies (including the Company) have partnered with a number of organisations both nationally and across local sites to co-create innovative solutions to address health and societal challenges in the UK and to find new ways of collaborating to make a long-term, sustainable impact. The initiatives which the Company chooses to support through its Corporate Social Responsibility Vision can have a significant impact on the local community. In determining which initiatives to support the directors and operational and functional management will consider which initiatives are most aligned to the Group's Vision and which are likely to have the most impact.

Shareholder

The Company is a wholly owned subsidiary of another Johnson & Johnson Group entity. A key principle applied by the directors and key management personnel is to always consider whether the decision they are about to take leads to a positive long-term increase in the value of the Company for the benefit of its immediate Group shareholder, and ultimately Johnson & Johnson.

Streamlined Energy and Carbon Reporting (SECR) disclosure

We believe industry has an important role to play in responding to climate change by implementing voluntary reductions of the greenhouse gases within their control. We have made strong progress in transitioning to renewable electricity, achieving over 50% globally in 2020 as we strive toward 100% over the next five years. Additionally, we expect to make further investments in energy efficiency across our operations and are evaluating alternative fuel sources and fleet vehicle choices.

The environmental performance has been reported in accordance with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard, Scope 2.

The Scope 2 emissions have been calculated according to the dual reporting principals of the Greenhouse Gas Protocol Scope 2 Guidance (market and location based method). In our total carbon footprint calculations, the location Scope 2 emissions are used.

The Scope 3 emissions covers fuel for transport purchased for business use.

Streamlined Energy and Carbon Reporting (SECR) disclosure (continued)

The Scope 3 emissions for the company are negligible.

The greenhouse gas emission calculation has been conducted based on actual vehicle fleet fuel consumption, facilities' energy consumption and waste generation in our operations.

The company has claimed an exemption on reporting prior year data due to the company year end for 2019 being 29 December 2019, which is outside of the required reporting period.

We have several renewable energy initiatives underway at Johnson & Johnson facilities across the globe:

Renewable Electricity Use Across Regions	**Financial year ended 3 January 2021**
Global	54 %
Europe	82 %
North America	72 %

Greenhouse gas emissions in tCO2e	**Financial year ended 3 January 2021**
Scope 1 - Direct emissions	2,097
Scope 2 - Indirect emissions	1,666
Total	3,763

Energy consumption	**Financial year ended 3 January 2021**
Energy consumption in KWh	11,064,000

Intensity ratio for 2020 is 0.0053TCO2e per £'000 revenue.

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

G Leblay
Director

Date: DATE

18 Nov 2021

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 3 JANUARY 2021

The directors present their annual report and the audited financial statements for the financial year ended 3 January 2021.

The company's reporting period ends on the Sunday closest to 31 December, being 3 January 2021 for the current year (53 weeks) and 29 December 2019 for the prior year (52 weeks).

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.

Results and dividends

The income statement for the financial year is set out on page 15.

The company's profit for the financial year amounted to £14,983,000 *(2019: £37,556,000)*. The aggregate dividends of £nil *(2019: £750)* per ordinary share amounting to £nil *(2019: £180,000,000)* were paid during the financial year. There were no interim dividends paid during the year *(2019: £nil)*. The company declared dividend for the amount of £56,000,000 to be paid March 2021 (*2019: £nil)*.

The drivers behind year on year change in the financial performance of the company are detailed out in Strategic report.

Financial risk management

The policies set by the Johnson & Johnson group entities 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.

Price risk

The company is exposed to commodity price risk as a result of its operations. However, given the size of the company's operations, the costs of managing exposure to commodity price risk exceed any potential benefits. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature. The company has no exposure to equity securities price risk as it holds no listed or other equity investments.

Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. Where debt finance is utilised, this is subject to pre-approval by the board of directors and such approval is limited to high-credit-quality financial institutions. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually.

Liquidity risk

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

Interest rate cash flow risk

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

Foreign exchange risk

The company makes 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 lasted until 31 December 2020, at which point the UK completed its withdrawal from the EU Customer Union and single market.

During the transition period, negotiations were completed and a trade agreement between the two parties was reached. The company has reviewed the Brexit impact upon the supply of the Company's products, impact to patients and healthcare professionals in Northern Ireland, there is no tangible impact on the company's operations as a result of this agreement as the company ensured that plans were made to minimise disruption..

Research and development

The company engages in research and development activities performed on behalf of other companies in the Johnson & Johnson group.

Significant events of the year

COVID-19 crisis has been evolving quickly since March 2020 and the UK has been confronted with significant number of infections.

The UK government has established various measures to manage the impact of the virus on the overall economy. Within the company, a number of measures were taken to secure the health and safety of our employees like working from home, cancellation of business trips and meetings. From a business perspective, we monitor on a continuous basis the demand and supply patterns of our customers and collaborate closely with our Supply Chain organization to guarantee continuity in the delivery of medicines to our patients. Up until this moment, we have seen phasing fluctuations of sales between months. However, from total company perspective the impact to the business and our financial results are rather limited.

On 30 December 2019 Actelion Pharmaceuticals UK Limited and Janssen-Cilag Limited signed an intra-group business transfer agreement whereby Actelion Pharmaceuticals UK Limited's net assets have been transferred to Janssen-Cilag Limited. As at 3 January 2021, the net assets of Actelion Pharmaceuticals UK Limited transferred in the amount of £14,779,000 to Janssen-Cilag Limited.

Post balance sheet events

On 17 March 2021, Actelion Pharmaceuticals UK, a fully-owned subsidiary of Janssen Cilag limited has been liquidated.

There have been no other significant events affecting the company since the financial year end.

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 year and up to the date of signing the financial statements, unless otherwise stated, are given below:

S Anderson	
G Leblay	
B Soares	(resigned 9 March 2020)
C Sicklen	(resigned 1 January 2020)
N Hodges	(resigned 1 January 2020)
L Aerts	
V Patroe	(appointed 6 October 2020)
S Fraser	(appointed 1 January 2020)
R Ilbert	(appointed 1 January 2020)

Employee involvement and engagement

The company is committed to the continued development of employee involvement by an effective communications and consultative framework (see the strategic report S172 reporting). 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.

Stakeholder involvement and engagement

The statement for the stakeholder involvement is set out in the Strategic report S172 reporting included within the annual report and financial statements.

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.

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 regulations.

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 to 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 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.

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

G Leblay
Director

Date: DATE 18 Nov 2021

Independent auditors' report to the members of Janssen-Cilag Limited

Report on the audit of the financial statements

Opinion

In our opinion, Janssen-Cilag Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 3 January 2021 and of its profit for the 53 week period 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 3 January 2021; the Income Statement, the Statement of Comprehensive Income and the Statement of Changes in Equity for the period 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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and the Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and the Directors' Report for the period ended 3 January 2021 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 the 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 in respect of the financial statements, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK taxation legislation, employment law, medicine pricing and access regulation and clinical trial regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to manipulation of results through posting of fraudulent journals as well as adjustments between the trial balance and the financial statements. Audit procedures performed by the engagement team included:

- Obtaining an understanding of the legal and regulatory framework applicable to the company and how the company is complying with that framework.
- Enquiry of management and directors around known or suspected instances of non-compliance with laws and regulations and fraud.
- Review of minutes of meetings with the Board of Directors.
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations that represent a material misstatement due to fraud or are posted outside of the trial balance for financial statement purposes only.
- Assessing reasonableness of accounting estimates, and incorporating elements of unpredictability to the nature of extent of audit procedures performed by us.
- Auditing material financial statement line items relating to laws and regulations that have direct impact on the accounts.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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. 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 obtained 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.

Miles Saunders

Miles Saunders (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLPChartered
Accountants and Statutory Auditors Reading
19 November 2021

INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 3 JANUARY 2021

	Note(s)	**Financial year ended 3 January 2021**	*Financial year ended 29 December 2019*
		£000	*£000*
Revenue	4	**703,604**	*575,824*
Cost of sales		**(563,469)**	*(459,291)*
Gross profit		**140,135**	*116,533*
Distribution costs		**(435)**	*(132)*
Administrative expenses		**(291,481)**	*(228,563)*
Other operating income		**166,781**	*160,295*
Operating profit	5	**15,000**	*48,133*
Interest receivable and similar income	9	**251**	*811*
Impairment of investments in subsidiaries	14	**—**	*(2,383)*
Other finance income	10	**1,439**	*1,853*
Profit before income tax		**16,690**	*48,414*
Income tax expense	11	**(1,707)**	*(10,858)*
Profit for the financial year		**14,983**	*37,556*

All amounts relate to continuing operations.

The notes on pages 19 to 51 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 3 JANUARY 2021

	Note(s)	**Financial year ended 3 January 2021**	*Financial year ended 29 December 2019*
		£000	*£000*
Profit for the financial year		**14,983**	*37,556*
Other comprehensive income/(expense)			
Items that may be reclassified subsequently to profit or loss			
Actuarial gain/(loss) on defined benefit schemes	20, 21	**23,261**	*(4,659)*
Movement of deferred tax relating to pension schemes	18	**(5,859)**	*792*
Total other comprehensive income/(expense)		**17,402**	*(3,867)*
Total comprehensive income for the financial year		**32,385**	*33,689*

The notes on pages 19 to 51 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 3 JANUARY 2021

	Note(s)	3 January 2021 £000	3 January 2021 £000	29 December 2019 £000	29 December 2019 £000
Non current assets					
Property, plant and equipment	13		9,720		13,284
Investments	14		14,779		14,779
Defined benefit pension scheme asset	20, 21		43,605		60,654
			68,104		88,717
Current assets					
Trade and other receivables	15	563,426		349,906	
Cash and cash equivalents		6,762		8,367	
		570,188		358,273	
Trade and other payables: amounts falling due within one year	16	(428,821)		(265,048)	
Net current assets			141,367		93,225
Provision for liabilities					
Other provisions	19	(4,175)		(5,351)	
			(4,175)		(5,351)
Net assets			205,296		176,591
Capital and reserves					
Ordinary shares	23		240		240
Share premium			2,910		2,910
Retained earnings			202,146		173,441
Total equity			205,296		176,591

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

G Leblay
Director

Date: DATE 18 Nov 2021

The notes on pages 19 to 51 from part of these financial statements

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 3 JANUARY 2021

	Ordinary shares	Share Premium	Retained Earnings	Total equity
	£000	£000	£000	£000
At 30 December 2018	**240**	**2,910**	**323,582**	**326,732**
Profit for the financial year	—	—	37,556	37,556
Actuarial gains on defined benefit pension scheme (Note 20, 21)	—	—	(4,659)	(4,659)
Deferred tax on actuarial pension gains (Note 18)	—	—	792	792
Other comprehensive income for the financial year	—	—	(3,867)	(3,867)
Total comprehensive income for the financial year	—	—	33,689	33,689
Dividend distribution during the financial year (Note 12)	—	—	(180,000)	(180,000)
Charge from parent for equity-settled share-based payments	—	—	(12,379)	(12,379)
Credit relating to equity-settled share-based payments	—	—	7,710	7,710
Excess current tax credit on share-based payments	—	—	803	803
Deferred tax on share-based payments in excess of fair value at grant (Note 18)	—	—	36	36
Total transactions with owners	—	—	(183,830)	(183,830)
At 29 December 2019	240	2,910	173,441	176,591
Profit for the financial year	—	—	14,983	14,983
Actuarial gains on defined benefit pension scheme (Note 20, 21)	—	—	23,261	23,261
Deferred tax on actuarial pension gains (Note 18)	—	—	(5,859)	(5,859)
Other comprehensive income for the financial year	—	—	17,402	17,402
Total comprehensive income for the financial year	—	—	32,385	32,385
Charge from parent for equity-settled share-based payments	—	—	(10,658)	(10,658)
Credit relating to equity-settled share-based payments	—	—	6,633	6,633
Excess current tax credit on share-based payments	—	—	663	663
Deferred tax on share-based payments in excess of fair value at grant (Note 18)	—	—	(318)	(318)
Total transactions with owners	—	—	(3,680)	(3,680)
Balance at				
At 3 January 2021	240	2,910	202,146	205,296

The notes on pages 19 to 51 form part of these financial statements.

1. General information

Janssen-Cilag 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: 50-100 Holmers Farm Way, High Wycombe, Buckinghamshire, HP12 4EG. The principal activity of the company is the sale and distribution of pharmaceutical products.

JJHC LLC, a company incorporated in the United States of America, 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 Janssen-Cilag Limited 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 JJHC LLC 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 taken from 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 30 December 2019 and ending 3 January 2021.

The company's reporting period ends on the Sunday closest to 31 December, being 3 January 2021 for the current year (53 weeks) and 29 December 2019 for the prior year (52 weeks).

2. Accounting policies

2.1. Basis of preparation of financial statements

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, unless otherwise stated in the notes to the financial statements 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.

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.

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.

2. Accounting policies (continued)

2.1. Basis of preparation of financial statements (continued)

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).

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 UK-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.

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

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment
- the requirements of IFRS 7 Financial Instruments: Disclosures
- 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;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- 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.

2. Accounting policies (continued)

2.2. New standards, amendments and IFRIC interpretations

In the current year, the company has applied IFRS 16 Leases (as issued by the IASB in January 2016) that is effective for the year ended 3 January 2021.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use ('ROU') asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. This has resulted in the recognition of ROU asset and liability of £48.691 as at 3 January 2021.

IFRS 16 Leases (effective date January 1, 2019) specifies the requirements for recognition, measurement, presentation and disclosure of leases. The standard provides a single lessee accounting model. IFRS 16's approach to lessor accounting is substantially unchanged from current standards. As a general rule, all leases with a term of over 12 months are recognized in the balance sheet unless the underlying asset has a low value. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index). The company has elected to use modified retrospective approach in implementing IFRS 16, and accordingly will not restate comparative figures. Instead, the company will recognize the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings and other related balance sheet items. The company will elect to use the exemptions applicable to the standard on short-term lease contracts (lease period less than 12 months), and for lease contracts for which the underlying asset is of low value.

There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 3 January 2021 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 Pounds Sterling (£), 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. Accounting policies (continued)

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 year in which they are incurred.

Depreciation 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:

Depreciation is provided on the following basis:

Building improvements	3.3 %
Plant and machinery	10 %
Computer equipment, fixtures and fittings	10%-33%

Construction in progress is not depreciated.

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. 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.

2. Accounting policies (continued)

2.5. 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 either amortised cost,
- Equity investments that are held for trading, and
- Equity investments for which the entity has not elected to recognise 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.

2.6. Impairment of financial assets

The company assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised costs. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the company applies the simplified approach permitted by IFRS 9 'Financial Instruments', which requires expected lifetime losses to be recognised from initial recognition of the receivables (see note 2.9).

2.7. 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.

2.8. 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.

2. Accounting policies (continued)

2.9. 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 (or in the normal operating cycle of the business, if longer) they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

2.10. 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.

2.11. 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.

2.12. Leases

The Company as a lessee

The Company leases various buildings and vehicles. Rental contracts are typically made for fixed periods of 9 years for buildings and 3 years for vehicles.

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2. Accounting policies (continued)

2.12. Leases (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Under IFRS 16, at lease commencement, the lease payments (which determine the lease liability) consist of all of the following payments relating to the use of the underlying asset during the lease term:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or a rate(such as the Consumer price Index or a market interest rate), initially measured using the index or rate at the commencement date;
- Amounts expected to be payable by the lessee under residual value guarantees;
- The exercise price of a purchase option, if the lessee is reasonably certain to exercise the option;
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is included in 'Creditors' on the Balance sheet.

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Right-of-use assets are measured at cost comprising the following:
- Any lease payments made at or before the commencement date less any lease incentives received.
- Any initial direct costs.
- Restoration costs.
- The amount of the initial measurement of lease liability.

The right-of-use asset is depreciated over the shorter of the lease term or the useful life of the underlying asset. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. The right-of-use asset is subject to testing for impairment if there is an indicator for impairment, as for owned assets.

Right-of-use assets are included in the heading "Tangible Fixed Assets" and the lease liabilities in the headings "Creditors amounts falling due within one year" and "Creditors amounts falling due after more than one year".

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has used this practical expedient.

2. Accounting policies (continued)

2.13. Current and deferred taxation

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.

2. Accounting policies (continued)

2.14. 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.

In respect of Plan 16, which is a defined contribution plan with some underlying defined benefit guarantees, for the year ending 29 December 2019 there was a change in estimate resulting in defined benefit accounting being applied. For the year ending 30 December 2018 the company took the approach of accounting for as a defined contribution scheme. 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.

2. Accounting policies (continued)

2.15. 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.

2. Accounting policies (continued)

2.15. 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.

2.16. Provisions

Provisions 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.

2.17. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied exclusive of discounts, returns and value added tax. The company recognises revenue when performance obligations have been satisfied and for the company this is when the goods have been transferred to the customer, 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. The company's activities relate to the sale of pharmaceutical products.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before payment is due.

The company makes an estimate for the deduction from revenue by the amount of expected rebate payments to customers. Any unsettled rebate payments to customers are accrued for at year end.

2.18. Other operating income

Other operating income represents income receivable from fellow group companies for services provided. It is recognised when the related expenses are incurred by the company.

2.19. Interest income/(expense)

Interest income/(expense) is recognised using the effective interest rate method. In calculating interest income/(expense), the effective interest rate is applied to the gross carrying amount of the asset, when the asset is not impaired or to the amortised cost of the liability for interest expense. For financial assets that have been impaired after initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer impaired the interest income calculation reverts to the gross carrying amount.

2. Accounting policies (continued)

2.20. 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.

2.21. 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.

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.

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) Rebates

The company makes an estimate for the deduction from revenue by the amount of expected rebate payments to customers. Any unsettled rebate payments to customers are accrued for at year end. The estimate is based on historical data and future expected pharmaceutical product usage. Future events could cause the assumptions on which the accruals are based to change.

(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.

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. Revenue

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

	Financial year ended 3 January 2021 £000	*Financial year ended 29 December 2019 £000*
Sale and distribution of pharmaceutical products	**703,604**	*575,824*
	703,604	*575,824*

All turnover arose within the United Kingdom.

5. Operating profit

	Financial year ended 3 January 2021 £000	*Financial year ended 29 December 2019 £000*
Revenue (Note 4)	**703,604**	*575,824*
Other operating income	**166,781**	*160,295*
Finished goods and consumables	**(563,469)**	*(459,291)*
Staff costs (Note 7)	**(191,224)**	*(123,462)*
Depreciation (Note 13)	**(5,408)**	*(5,792)*
Operating lease expenses	**4,482**	*4,433*
Exchange differences	**(495)**	*9*
Other operating charges	**(99,271)**	*(103,883)*
Operating profit	**15,000**	*48,133*

The activities of Janssen R&D UK are incorporated within the company. This division carries out pharmaceutical research and recharges these costs to other group companies of the ultimate parent company. The company also incurs costs in relation to medical research and other international research and development activities. The amounts recharged to other group companies of the ultimate parent company, together with the associated mark-up, are included within other operating income above.

6. Auditors' remuneration

	Financial year ended 3 January 2021 £000	*Financial year ended 29 December 2019 £000*
Audit of entity financial statements (including expenses)	**159**	*103*
Fees payable to the company's auditors in respect of audit-related assurance services	**15**	*12*
	174	*115*

7. Employees

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

	Financial year ended 3 January 2021 £000	*Financial year ended 29 December 2019 £000*
Wages and salaries	**97,229**	*80,882*
Social security costs	**19,493**	*12,915*
Other pension costs (Note 20,21)	**67,869**	*21,955*
Share-based payments	**6,633**	*7,710*
	191,224	*123,462*

The defined benefit cost for the fiscal year ending 3 January 2021 includes a past service cost due to a plan amendment of £158,123,000 (of which £37,433,000 relates to Janssen Cilag Limited) in relation to the CARE Plan. This has arisen due to the reinstatement of the final salary link on pre 2012 benefits due to change in legal interpretation of the CARE Plan Rules.

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

	Financial year ended 3 January 2021 No.	*Financial year ended 29 December 2019 No.*
Sale and development of pharmaceutical products	**1,068**	*959*

8. Directors' remuneration

	Financial year ended 3 January 2021 £000	*Financial year ended 29 December 2019 £000*
Aggregate remuneration for qualifying services	**748**	*1,131*
	748	*1,131*

Post-employment benefits are accruing to five directors *(2019: four directors)* under the company's defined benefit pension scheme and to no directors *(2019: no directors)* under the money purchase scheme.

No director *(2019: One director)* exercised share options in the ultimate parent company during the year.

8. Directors' remuneration (continued)

	Financial year ended 3 January 2021 £000	*Financial year ended 29 December 2019 £000*
Highest paid director		
Total amounts of emoluments and amounts (excluding shares) receivable under long-term incentive schemes	**226**	*282*
Defined benefit pension scheme:		
- Accrued pension at the end of the financial year	**4**	*8*
	230	*290*

The highest paid director has not exercised share options in the year *(2019: options not exercised).*

9. Interest receivable and similar income

	Financial year ended 3 January 2021 £000	*Financial year ended 29 December 2019 £000*
Interest receivable on UK group banking arrangements	**251**	*811*
	251	*811*

10. Other net finance income

	Financial year ended 3 January 2021 £000	*Financial year ended 29 December 2019 £000*
Net interest income on defined benefit pension scheme	**1,549**	*2,124*
Fair value losses on derivative financial instruments	**(96)**	*(271)*
Lease liabilities interest expense (note 22)	**(14)**	*—*
	1,439	*1,853*

The company initially applied IFRS 16 at 30 December 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial recognition. In 2019 interest expense relating to lease liabilities is for finance lease under IAS 17 while in 2020 the interest expense is for lease liabilities under IFRS 16.

11. Income tax expense

	Financial year ended 3 January 2021 £000	*Financial year ended 29 December 2019 £000*
Corporation tax		
Current tax on profits for the year	**10,222**	*9,013*
Adjustments in respect of previous periods	**(469)**	*1,059*
Total current tax	**9,753**	*10,072*
Deferred tax		
Origination and reversal of timing differences	**(7,112)**	*880*
Impact of change in tax rate	**(934)**	*(93)*
Adjustment in respect of prior periods	**—**	*(1)*
Total deferred tax	**(8,046)**	*786*
Taxation on profit	**1,707**	*10,858*

Factors affecting tax charge for the financial year

The tax assessed for the financial year is lower than *(2019- higher than)* the standard rate of corporation tax in the UK of 19% *(2019 - 19%)*. The differences are explained below:

	Financial year ended 3 January 2021 £000	*Financial year ended 29 December 2019 £000*
Profit before income tax	**16,690**	*48,414*
Profit multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	**3,171**	*9,199*
Effects of:		
Expenses not deductible for tax purposes	**114**	*718*
Adjustments in respect of previous periods	**(469)**	*1,058*
Income not subject to tax	**(175)**	*(24)*
Remeasurement of deferred tax due to change in the UK tax rate	**(934)**	*(93)*
Total tax charge for the financial year	**1,707**	*10,858*

11. Income tax expense (continued)

Factors that may affect future tax charges

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate would remain at 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would be to increase the tax expense for the period by £1,001,380 and increase the deferred tax asset by £2,540,734.

Tax charge/(credit) included in other comprehensive income

	Financial year ended 3 January 2021 £000	*Financial year ended 29 December 2019 £000*
Deferred tax		
Origination and reversal of temporary differences	**5,859**	*(792)*
Total tax charge/(credit) included in the other comprehensive income	**5,859**	*(792)*

Tax credit included in equity

	Financial year ended 3 January 2021 £000	*Financial year ended 29 December 2019 £000*
Current tax		
Current tax on items in equity	**(663)**	*(803)*
Deferred tax		
Origination and reversal of temporary differences	**318**	*(36)*
Total tax credit included in equity	**(345)**	*(839)*

12. Dividends paid

	Financial year ended 3 January 2021 £000	*Financial year ended 29 December 2019 £000*
Ordinary shares		
Dividends paid of £nil (2019: £750) per share	—	*180,000*
	—	*180,000*

During the financial year the company didn't paid an interim dividend to shareholders of the company being JJHC, LLC, and Johnson and Johnson International.

13. Property, plant and equipment

	Right of use asset - Buildings £000	**Building improvements £000**	**Computer equipment, fixtures & fittings £000**	**Construction in progress £000**	**Total £000**
Cost					
At 30 December 2019	—	489	39,156	154	39,799
Additions	637	—	1,734	427	2,798
Transfers between classes	—	—	154	(154)	—
Disposals	—	(325)	(2,715)	—	(3,040)
At 3 January 2021	637	164	38,329	427	39,557
Accumulated depreciation					
At 30 December 2019	—	362	26,153	—	26,515
Charge for the financial year	301	5	5,102	—	5,408
Disposals	—	(325)	(1,761)	—	(2,086)
At 3 January 2021	301	42	29,494	—	29,837
Net book value					
At 3 January 2021	336	122	8,835	427	9,720
At 29 December 2019	—	*127*	*13,003*	*154*	*13,284*

14. Investments

	Investments in subsidiary companies £000
Cost or valuation	
At 30 December 2019	**14,779**
At 3 January 2021	**14,779**
Net book value	
At 3 January 2021	**14,779**
At 29 December 2019	*14,779*

On 29 November 2017, the company purchased 250,000 ordinary shares in Actelion Pharmaceuticals UK Limited for consideration of £17,162,000.

On 30 December 2019 Actelion Pharmaceuticals UK Limited and Janssen-Cilag Limited signed an intra group business transfer agreement whereby Actelion Pharmaceuticals UK limited net assets have transferred to Janssen-Cilag Limited. As at date of 30 December 2019, the net assets of Actelion Pharmaceuticals UK Limited were transferred in the amount of £14,779,000 to Janssen-Cilag Limited (Note 26).

Subsidiary undertaking

The following was a subsidiary undertaking of the company:

Name	Class of shares	Holding %	Principal activity
Actelion Pharmaceuticals UK Limited	Ordinary shares of £1	100	Retail of pharmaceutical products

Actelion Pharmaceuticals UK Limited is incorporated in the United Kingdom and the address of its registered office is: 50-100 Holmers Farm Way, High Wycombe, England, HP12 4EG.

15. Trade and other receivables

	3 January 2021 £000	*29 December 2019 £000*
Trade receivables	**117,391**	*89,316*
Amounts owed by group undertakings	**415,770**	*252,627*
Other receivables	**13,098**	*786*
Prepayments and accrued income	**5,438**	*785*
Corporation tax receivable	**9,645**	*6,234*
Deferred taxation	**2,084**	*158*
	563,426	*349,906*

Amounts owed by group undertakings includes an amount of £341,038,000 (2019: *£164,525,000)* 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 In-House Treasury Cash Pool 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.

Deferred tax assets are recoverable after more than one year.

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

	3 January 2021 £000	*29 December 2019 £000*
Trade payables	**18,031**	*19,201*
Amounts owed to group undertakings	**276,153**	*143,967*
Corporation tax	**—**	*(214)*
Other payables	**15,852**	*12,562*
Lease liabilities (note 22)	**288**	*—*
Accruals and deferred income	**118,143**	*89,186*
Derivative financial instruments (note 17)	**354**	*346*
	428,821	*265,048*

17. Derivative financial instruments

The company has the following assets/(liabilities) held at fair value through profit or loss:

	3 January 2021 £000	*29 December 2019 £000*
Forward foreign exchange contracts	**(354)**	*(346)*
	(354)	*(346)*

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.

18. Deferred tax asset

	Accelerated/ decelerated capital allowances £000	**Retirement benefits £000**	**Provision for liabilities £000**	**Other £000**	**Share based payments £000**	**Charitable donations £000**	**Total £000**
At 30 December 2018	**544**	**(10,102)**	**1,799**	**341**	**7,534**	**—**	**116**
Credit/(charge) to the income statement	168	(1,002)	(67)	2	113	—	(786)
Charge to other comprehensive income	—	792	—	—	—	—	792
Credit to equity	—	—	—	—	36	—	36
At 29 December 2019	**712**	**(10,312)**	**1,732**	**343**	**7,683**	**—**	**158**
Credit/(charge) to the income statement	423	7,885	(912)	71	546	33	8,046
Charge to other comprehensive income	—	(5,859)	—	—	—	—	(5,859)
Credit to equity	—	—	—	—	(318)	—	(318)
Movement arising from transfer of trade	16	—	—	41	—	—	57
At 3 January 2021	**1,151**	**(8,286)**	**820**	**455**	**7,911**	**33**	**2,084**

18. Deferred tax asset (continued)

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:

	3 January 2021 £000	*29 December 2019 £000*
Deferred tax assets	**10,370**	*10,470*
Deferred tax liabilities	**(8,286)**	*(10,312)*
Net deferred tax reported within trade and other receivables	**2,084**	*158*

At 3 January 2021, the company has no unused tax losses available for offset against future profits.

19. Other provisions

	Employer's national insurance on share-based payments £000
At 30 December 2019	**5,351**
Charged to profit or loss	**526**
Utilised in financial year	**(1,702)**
At 3 January 2021	**4,175**

20. Post-employment benefits

Janssen-Cilag Limited 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".

Johnson & Johnson UK Group Retirement 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 30 March 2020. The valuation results at this date have been updated to 3 January 2021 by a qualified independent actuary. The valuation in the financial statements has been made based on the following assumptions:

	Financial year ended 3 January 2021	*Financial year ended 29 December 2019*
Expected rate of salary increases	**4.05 %**	*3.90 %*
Expected rate of increase of pensions in payment (with RPI capped at 5% per annum)	**2.70 %**	*2.80 %*
Discount rate	**1.50 %**	*2.10 %*
RPI inflation assumption	**2.80 %**	*2.90 %*
CPI inflation assumption	**2.20 %**	*2.10 %*

20. 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:

	Financial year ended 3 January 2021	*Financial year ended 29 December 2019*
Longevity at age 65 for current pensioners		
- Men	**22.1**	*22.3*
- Women	**23.6**	*24.2*
Longevity at age 65 for future pensioners		
- Men	**23.4**	*23.7*
- Women	**25.4**	*25.9*

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.

20. Post-employment benefits (continued)

Reconciliation of plan assets and liabilities (UK Group Retirement Plan)

	Fair value of plan assets £000	Defined benefit obligation £000	Total £000
At 29 December 2019	**667,210**	**(608,211)**	**58,999**
Benefits paid	(13,131)	13,131	—
Employer and other contributions	27,348	(69)	27,279
Current service cost	—	(30,206)	(30,206)
Past service cost	—	(37,433)	(37,433)
Administrative expenses paid from plan	(1,635)	—	(1,635)
Interest income/(expense)	14,144	(12,634)	1,510
Remeasurements gain/(loss)			
- Effect of changes in demographic	—	3,140	3,140
- Effect of changes in financial assumptions	—	(95,266)	(95,266)
- Effect of experience adjustments	—	1,908	1,908
- Return on plan assets	113,498	—	113,498
At 3 January 2021	**807,434**	**(765,640)**	**41,794**

The expected contributions to the UK Group Retirement Plan in the year ended 3 January 2021 are £10,639,000.

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 10.6%	Increase by 12.5%
Salary growth rate	0.5 %	0.00 %	0.00 %
Pension growth rate	0.5 %	Increase by 6.3%	Decrease by 5.7%
Life expectancy	1 year	Increase by 3.4%	Decrease by 3.4%

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.

20. Post-employment benefits (continued)

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

	Financial year ended 3 January 2021 £000	*Financial year ended 29 December 2019 £000*
Current service cost	30,206	*21,955*
Past service cost	37,433	*—*
Administrative expenses and foreign exchange differences	1,634	*1,036*
Net interest income	(1,510)	*(2,074)*
	67,763	*20,917*

The defined benefit cost for the fiscal year ending 3 January 2021 includes a past service cost due to a plan amendment of £158,123,000 (of which £37,433,000 relates to Janssen Cilag Limited) in relation to the CARE Plan. This has arisen due to the reinstatement of the final salary link on pre 2012 benefits due to change in legal interpretation of the CARE Plan Rules.

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

	Financial year ended 3 January 2021 £000	*Financial year ended 29 December 2019 £000*
Equity instruments	**399,941**	*498,229*
Debt instruments	**399,941**	*157,827*
Cash and cash equivalents	**6,189**	*9,796*
Other	**1,364**	*1,358*
	807,435	*667,210*

The return on the UK Group Retirement plan assets was:

	Financial year ended 3 January 2021 £000	*Financial year ended 29 December 2019 £000*
Interest income	**14,444**	*16,397*
Remeasurements	**113,498**	*79,011*
	127,942	*95,408*

21. Post-employment benefits Plan 16

Johnson & Johnson Group Retirement Plan 16

In respect of Plan 16, which is a defined contribution plan with some underlying defined benefit guarantees, for the year ending 29 December 2019 there was a change in estimate resulting in defined benefit accounting being applied.

The total contributions paid by the company to Plan 16 and recognised as a defined contribution expense in the year were £542,000 *(2019: £542,000)* The best estimate of the company contributions expected in the year from 30 December 2019 to 03 January 2021 to be paid to Johnson & Johnson UK Group Retirement Plan 16 is £101,000.

The valuation in the financial statements for the UK Group Retirement Plan 16 has been made based on the following assumptions:

	Financial year ended 3 January 2021	*Financial year ended 29 December 2019*
Expected rate of salary increases	**4.05 %**	*3.90 %*
Expected rate of increase of pensions in payment (with RPI capped at 5% per annum)	**2.70 %**	*2.80 %*
Discount rate	**1.50 %**	*2.10 %*
RPI inflation assumption	**2.80 %**	*2.90 %*
CPI inflation assumption	**2.20 %**	*2.10 %*
Cash commutation assumption	**70.00 %**	*70.00 %*

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:

	Financial year ended 3 January 2021	*Financial year ended 29 December 2019*
Longevity at age 65 for current pensioners		
- Men	**22.2**	*22.3*
- Women	**24.1**	*24.2*
Longevity at age 65 for future pensioners		
- Men	**23.6**	*23.7*
- Women	**25.8**	*25.9*

Plan 16 is the company's DC arrangement, which includes some underlying defined benefit guarantees. In particular, the benefits provided from Plan 16 must be at least equal to a 'defined benefit underpin', which arises as a result of Plan 16 having been contracted out of the State Second Pension ("S2P"), and previously the State Earnings Related Pension Scheme ("SERPS"). The benefits secured from a member's retirement account based on contributions before 6 April 1997 are subject to an underpin known as a Guaranteed Minimum Pension ("GMP"). Similarly, the benefits secured from a member's retirement account based on contributions on or after 6 April 1997 are subject to an underpin known as a Reference Scheme Test ("RST") pension.

21. Post-employment benefits Plan 16 (continued)

Reconciliation of plan assets and liabilities (UK Group Retirement Plan):

	Fair value of plan assets £000	Defined benefit obligation £000	Total £000
At 29 December 2019	31,261	(29,606)	1,655
Benefits paid	(130)	130	—
Employer and other contributions	542	—	542
Past service cost	—	(230)	(230)
Administrative expenses paid from plan	(176)	—	(176)
Interest income/(expense)	659	(620)	39
Remeasurements			
- Effect of changes in financial assumptions	—	166	166
- Effect of experience adjustments	—	(3,010)	(3,010)
- Return on plan assets	3,830	(1,005)	2,825
At 3 January 2021	35,986	(34,175)	1,811

Sensitivity analysis

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

	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.5 %	Decrease by 10.6%	Increase by 12.5%
Salary growth rate	0.5 %	0.0 %	0.0 %
Pension growth rate	0.5 %	Increase by 6.3%	Decrease by 5.7%
Life expectancy	1 year	Increase by 3.4%	Decrease by 3.4%

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.

21. Post-employment benefits Plan 16 (continued)

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

	Financial year ended 3 January 2021 £000	Financial year ended 29 December 2019 £000
Administrative expenses and foreign exchange differences	1,635	114
Net interest (income)/expense	(39)	(50)
	1,596	64

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

	Financial year ended 3 January 2021 £000	Financial year ended 29 December 2019 £000
Equity instruments	25,190	21,882
Debt instruments	10,796	9,379
	35,986	31,261

The return on the UK Group Retirement plan assets was:

	Financial year ended 3 January 2021 £000	Financial year ended 29 December 2019 £000
Interest income	659	741
Remeasurements	3,830	4,539
	4,489	5,280

22. Leases

The company has lease contracts for various vehicles used in the operations. The right of use asset as at 3 January 2021 is £336,000, please refer to note 13.

The following shows the following amounts due relating to associated lease liabilities arising from these rights of use assets:

	Financial year ended 3 January 2021 £000	*Financial year ended 29 December 2019 £000*
Lease liabilities		
Current	288	—
	288	—

In the previous year, the company only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under IAS 17 Leases. The assets were presented in property, plant and equipment and the liabilities as part of the company's borrowings.

23. Called up share capital

	3 January 2021 £000	*29 December 2019 £000*
Shares classified as equity		
Allotted, called up and fully paid		
240,000 *(2019 - 240,000)* Ordinary shares of £1each	**240**	*240*

24. 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 $85.08 *(2019: $86.36)*.

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$)**
2021	5,553	62.2
2022	22,302	65.37
2023	50,054	72.54
2024	78,684	90.44
2025	115,770	100.06
2026	171,221	101.87
2027	129,561	115.67
2028	137,272	129.51
2029	182,829	131.94
2030	166,690	151.41

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.

25. Commitments under operating leases

At 3 January 2021 the company had future minimum lease payments under non-cancellable operating leases as follows:

	3 January 2021 £000	*29 December 2019 £000*
Land and buildings		
Not later than 1 year	3,230	*3,452*
Later than 1 year and not later than 5 years	6,460	*9,912*
	9,690	*13,364*

	3 January 2021 £000	*29 December 2019 £000*
Other operating leases		
Not later than 1 year	716	*353*
Later than 1 year and not later than 5 years	869	*658*
	1,585	*1,011*

The company initially applied IFRS 16 at 31 December 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. In 2019 financial commitments relates to operating leases under IAS 17.

26. Asset transfer agreement

On 30 December 2019 the company acquired the assets and liabilities of Actelion Pharmaceutical Limited through an asset transfer agreement for the amount of £14,776,750.

Assets and liabilities acquired:	3 January 2021 £000
Trade and other receivables	23,401
Cash and cash equivalents	119
Trade and other payables	(8,743)
Net assets	14,777

The intercompany payable arising on the transfer of trade, assets and liabilities is offset through intercompany loans until the entity is liquidated in 2021.

27. Events since the year end

On 17 March 2021, Actelion Pharmaceuticals UK, a fully-owned subsidiary of the company has been liquidated.

There have been no other significant events affecting the company since the financial year end.

28. Changes in accounting policies

IFRS 16 is a new accounting standard that is effective for the year ended 3 January 2021. There are no other amendments to accounting standards that are effective for the year ended 3 January 2021.

The date of initial application of IFRS 16 for the Company is 30 December 2019.

The Company has applied IFRS 16 using the modified retrospective approach which:

- Requires the Company to recognize the cumulative adjustment to retained earnings as of the date of initial adoption. The outstanding rentals of leases are discounted using the incremental borrowing rate at the date of transition.
- Does not permit restatement of comparatives, which continue to be presented under IAS 17

Lease incentives (e.g. rent free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortized as a reduction of rental expenses on a straight line basis.

Lease expense is presented within 'administrative expenses' in statement of comprehensive income.

The Company has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying IAS 17.

- The Company has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Company has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- The Company has elected not to apply IFRS 16 to leases of low-value items
- For existing contracts, the Company has not reassessed whether a contract is or contains a lease.
- The Company has elected to combine non-lease components with their associated lease components when accounting for lease liabilities and ROU assets for all of its underlying classes of assets.

Measurement of right-of-use assets

On transition the associated right-of-use assets for leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 3 January 2021 (see Note 13).

Measurement of lease liabilities as at 29 December 2019

	£000
Operating lease commitments disclosed at 29 December 2019	13,364
Less: operating lease commitments outside of scope of IFRS 16	(12,920)
Less: impact of finance expenses	179
	623
Weighted average incremental borrowing rate applied to lease liabilities on transition	0.24 %

The company initially applied IFRS 16 at 30 December 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application.