

Registered number: 02175750

JOHNSON & JOHNSON LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 29 DECEMBER 2019**



JOHNSON & JOHNSON LIMITED

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JOHNSON & JOHNSON LIMITED

COMPANY INFORMATION

Director	G Rice (appointed 1 March 2019)
Registered number	02175750
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 3GH

JOHNSON & JOHNSON LIMITED

STRATEGIC REPORT FOR THE FINANCIAL YEAR ENDED 29 DECEMBER 2019

The director presents his Strategic report on the company for the financial year ended 29 December 2019.

Principal activities

The company acts as a sales agent for Johnson & Johnson group companies, receiving commission in respect of sales made.

Business review

Overall, the director is satisfied with the performance of the company during the financial year and its financial position at the financial year end.

The key financial and other performance measures were as follows:

	2019 £000	2018 £000	Change %
Revenue	44,813	53,127	(16)
Operating profit	8,488	7,188	18
Total equity	50,260	44,453	13
Average number of employees	284	305	(7)

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

Revenue from commission under the company's agency agreements has fallen by 16% year on year and operating profit has increased by 18% year on year due to decrease in operating costs.

Total equity has increased by 13% year on year. The increase is principally due to the increase in profit for the financial year.

The statement of financial position on page 13 of the financial statements shows the company's financial position at the end of the financial year.

The average number of employees has decreased by 7% year on year.

Future outlook

Both the level of business and the year-end financial position remain satisfactory, despite strong competitive and market pressures and the impact of covid. The director expects that the present level of activity will be sustained for the foreseeable future.

The director's consideration of Brexit and COVID is outlined within the Director's report.

JOHNSON & JOHNSON LIMITED

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

Principal risks and uncertainties

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

The key business risks and uncertainties affecting the company are considered to relate to general industry conditions and competition; economic conditions, such as currency exchange rate fluctuations; technological advances; challenges inherent in new product development; and trends toward health care cost containment. The risks and uncertainties are managed at regular board meetings, and where applicable, actions are taken to mitigate the risks.

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



G Rice
Director

Date: 14.6.2021

JOHNSON & JOHNSON LIMITED

DIRECTOR'S REPORT FOR THE FINANCIAL YEAR ENDED 29 DECEMBER 2019

The director presents the annual report and the audited financial statements for the financial year ended 29 December 2019.

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

Statement of director's responsibilities in respect of the financial statements

The director is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has 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 director 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 director is 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 director is 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 director is 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.

Director's confirmations

The person who is the director at the time this Director's Report is approved has confirmed that:

- so far as he is aware, there is no relevant audit information of which the company's auditors are unaware, and
- he has taken all the steps that 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.

Future outlook

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

JOHNSON & JOHNSON LIMITED

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

Financial risk management

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

Price risk

The company has limited exposure to commodity price risk as a result of its operations. It is also partly indemnified against any potential loss under agreements with other group companies. 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. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually.

Liquidity risk

The company has access to short-term debt finance to ensure the company has sufficient available funds for operations and planned expansions.

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 Customs Union and single market.

During the transition period, negotiations were completed and a trade agreement between the two parties was reached. There is no tangible impact on the company's activities as a result of this agreement.

Results and dividends

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

The company's profit for the financial year amounted to £7,211,000 (2018: £6,404,000). The aggregate dividends on the ordinary shares recognised during the financial year amounts to £Nil (2018: £50,000,000). There are no proposed dividends awaiting approval at 29 December 2019.

JOHNSON & JOHNSON LIMITED

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

Events since the year end

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

In 2012 there was a change to the defined benefit pension plan in the UK and the link to future salary increases was broken for active members at that date. This change was implemented based on advice at the time and was considered appropriate. In 2020, it was decided that the UK Care Plan will be closed to future accrual from 2023, with the active membership expected to drop over the period from 2021 to 2023. Following recent court rulings, management decided it was necessary, for members who were active in 2012, to reinstate the salary link up to 2021 or the date they ceased to be active members if earlier. This reinstatement will be treated as a past service cost through the profit and loss account in 2020. At the date of signing, the value of the impact on the company is still being calculated.

Going concern

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

Directors

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

A Peirce (appointed 4 September 2019, resigned 4 September 2019)
C R Thorne (resigned 4 September 2019)
A Crossley (resigned 1 March 2019)
L Huys (resigned 30 June 2019)
G Rice (appointed 1 March 2019)
C M Lawson (appointed 2 September 2019, resigned 18 January 2021)

JOHNSON & JOHNSON LIMITED

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

Employee involvement

The company is committed to the continued development of employee involvement by an effective communications and consultative framework. Consultative committees covering broad business areas, pensions, health and safety, quality and employee services are well established and meet regularly in order to take on the views of the employees in decision-making. Team briefings, which complement other forms of management communication, ensure that all levels in the organisation are kept up-to-date on the performance of the company, thereby increasing employee engagement. In addition, surveys such as the annual Credo Survey are conducted to provide opportunities for employees to feed back to senior management on the health of the business and general working environment.

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

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

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

Disabled persons

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

Modern Slavery statement

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

Independent auditors

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

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



G Rice
Director

Date: 14.6.2021

Independent auditors' report to the members of Johnson & Johnson Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 29 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 29 December 2019; the income statement, the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The director is 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 Director's Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

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

JOHNSON & JOHNSON LIMITED

Strategic Report and Director's Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Director's Report for the year ended 29 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the director for the financial statements

As explained more fully in the Statement of director's responsibilities in respect of the financial statements set out on page 4, the director is 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 director is also responsible for such internal control as he determines 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 director is 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 director either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Sarah Quinn (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading
14 June 2021

JOHNSON & JOHNSON LIMITED

INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 29 DECEMBER 2019

	Note	Financial year ended 29 December 2019 £000	Financial year ended 30 December 2018 £000
Revenue	4	44,813	53,127
Gross profit		44,813	53,127
Administrative expenses		(43,086)	(53,108)
Other operating income	5	6,761	7,169
Operating profit	6	8,488	7,188
Finance income	10	771	514
Profit before income tax		9,259	7,702
Income tax expense	11	(2,048)	(1,298)
Profit for the financial year		7,211	6,404

The notes on pages 14 to 42 form part of these financial statements.

All amounts relate to continuing operations.

JOHNSON & JOHNSON LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 29 DECEMBER 2019**

		Financial year ended 29 December 2019 £000	Financial year ended 30 December 2018 £000
	Note(s)		
Profit for the financial year		7,211	6,404
Other comprehensive (expense)/income:			
Items that will not be reclassified to profit or loss:			
Actuarial (loss)/gain on defined benefit schemes	18,19	(714)	8,741
Movement of deferred tax relating to defined benefit pension	17	49	(1,413)
Total other comprehensive (expense)/income		(665)	7,328
Total comprehensive income for the financial year		6,546	13,732

JOHNSON & JOHNSON LIMITED
REGISTERED NUMBER: 02175750

STATEMENT OF FINANCIAL POSITION
AS AT 29 DECEMBER 2019

		29 December 2019 £000	29 December 2019 £000	30 December 2018 £000	30 December 2018 £000
	Note(s)				
Fixed assets					
Property plant and equipment	13		238		828
Pension Asset	18,19		17,521		17,364
			<u>17,759</u>		<u>18,192</u>
Current assets					
Trade and other receivables	14	102,692		142,352	
Cash and cash equivalents		10,331		1,511	
		<u>113,023</u>		<u>143,863</u>	
Trade and other payables: amounts falling due within one year	15	(78,209)		(115,685)	
Net current assets			34,814		28,178
Provisions for liabilities					
Deferred tax		(1,563)		(1,241)	
Other provisions	17	(749)		(676)	
			<u>(2,312)</u>		<u>(1,917)</u>
Net assets			<u>50,261</u>		<u>44,453</u>
Capital and reserves					
Called up share capital	21		11,565		11,565
Retained earnings			38,696		32,888
			<u>50,261</u>		<u>44,453</u>

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



G Rice
Director

14.6.2021

The notes on pages 14 to 42 form part of these financial statements.

JOHNSON & JOHNSON LIMITED

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

	Called up share capital £000	Retained earnings £000	Total equity £000
At 01 January 2018	11,565	69,203	80,768
Profit for the financial year	-	6,404	6,404
Actuarial gains on defined benefit pension scheme (note 18 & 19)	-	8,741	8,741
Deferred tax on actuarial pension gains (note 16)	-	(1,413)	(1,413)
Other comprehensive income for the financial year	-	7,328	7,328
Total comprehensive income for the financial year	-	13,732	13,732
Dividends paid (note 12)	-	(50,000)	(50,000)
Credit relating to equity-settled share-based payments	-	1,635	1,635
Charge from parent for equity-settled share-based payments	-	(2,227)	(2,227)
Deferred tax booked on share-based payments in excess of fair value at grant (note 16)	-	194	194
Excess current tax credit on share-based payments	-	351	351
Total transactions with owners	-	(50,047)	(50,047)
At 30 December 2018	11,565	32,888	44,453
Profit for the financial year	-	7,211	7,211
Actuarial loss on defined benefit pension scheme (note 18 & 19)	-	(714)	(714)
Deferred tax on actuarial pension loss (note 16)	-	49	49
Other comprehensive expense for the financial year	-	(665)	(665)
Total comprehensive income for the financial year	-	6,546	6,546
Credit relating to equity-settled share-based payments	-	807	807
Charge from parent for equity-settled share-based payments	-	(1,490)	(1,490)
Deferred tax booked on share-based payments in excess of fair value at grant (note 16)	-	(86)	(86)
Excess current tax credit on share-based payments	-	31	31
Total transactions with owners	-	(738)	(738)
At 29 December 2019	11,565	38,696	50,261

The notes on pages 14 to 42 form part of these financial statements.

JOHNSON & JOHNSON LIMITED

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

1. General information

Johnson & Johnson 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: Foundation Park, Roxborough Way, Maidenhead, Berkshire, SL6 3UG. The company acts as a sales agent for fellow group companies, receiving commission in respect of sales made.

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

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

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

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

These financial statements are the company's separate financial statements for the financial year beginning 31 December 2018 and ending 29 December 2019.

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

2. Accounting policies

2.1 Basis of preparation

The financial statements 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 under the historical cost convention and in accordance with the Companies Act 2006. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

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 director has 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.

JOHNSON & JOHNSON LIMITED

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

2. Accounting policies (continued)

2.1 Basis of preparation (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 EU-adopted IFRS.

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

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

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

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

JOHNSON & JOHNSON LIMITED

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

2. Accounting policies (continued)

2.2 New standards, amendments and IFRIC interpretations

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

2.3 Foreign currency translation

(a) Functional and presentation currency

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

2.4 Property, plant and equipment

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

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

Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Fixtures, fittings and equipment	- 10.00 - 33.33%
Leasehold improvement	- shorter of lease term and 10 years

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.

JOHNSON & JOHNSON LIMITED

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

2. Accounting policies (continued)

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.

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 (FVPL):

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

(c) Financial liabilities at amortised cost

Financial liabilities are measured at amortised cost.

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

JOHNSON & JOHNSON LIMITED

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

2. Accounting policies (continued)

2.6 Impairment of financial assets

Assets carried at amortised cost

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

2.7 Trade and other receivables

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

Trade and other receivables are recognised 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 group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

2.8 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.

2.9 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.

2.10 Leases

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

JOHNSON & JOHNSON LIMITED

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

2. Accounting policies (continued)

2.11 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.

JOHNSON & JOHNSON LIMITED

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

2. Accounting policies (continued)

2.12 Pension obligations

The company participates in the Johnson & Johnson UK Group Retirement Plan. The UK Group operates a funded defined benefit pension scheme and defined contribution scheme for all UK employees. New entrants are eligible to join the funded defined benefit scheme and the defined contribution scheme is closed to new entrants. There is also an unfunded, unapproved defined benefit pension scheme arrangement for a small number of employees who are affected by the Inland Revenue Earnings Cap.

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

The Company has for Plan 16 taken the approach of using a defined benefit pension for Johnson & Johnson Limited for the year ending 29 December 2019 and 30 December 2018. Prior years the Company took the approach of defined contribution for Plan 16 based on materiality grounds.

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.

JOHNSON & JOHNSON LIMITED

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

2. Accounting policies (continued)

2.13 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 using the Black-Scholes option-pricing model, with a corresponding increase in reserves (representing a capital contribution by the ultimate parent). The total amount to be expensed is determined by reference to the fair value of the options granted:

- 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, and they are offset in other reserves against retained earnings.

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.

JOHNSON & JOHNSON LIMITED

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

2. Accounting policies (continued)

2.13 Share-based payments (continued)

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.

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.

2.14 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.

JOHNSON & JOHNSON LIMITED

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

2. Accounting policies (continued)

2.15 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

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

The company sells product on a commissionaire basis and therefore recognises the commission accrued on these sales as revenue in the year to which the sale relates. All revenue is intercompany only.

The company's sales are often made with retrospective volume discounts based on aggregate sales over a 12 month period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in creditors: amounts falling due within one year) is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period.

Under IFRS 15, the Company is an agent rather than a principal in a transaction relating to distribution services provided.

2.16 Other operating income

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

2.17 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.

2.18 Called up share capital

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

3. Critical accounting estimates and assumptions

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.

JOHNSON & JOHNSON LIMITED

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

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) 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. (Note 18).

(b) 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.

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 revenue by class of business is as follows:

	Financial year ended 29 December 2019 £000	Financial year ended 30 December 2018 £000
Commission	44,813	53,127
	<u>44,813</u>	<u>53,127</u>

Commission receivable is due from fellow group companies in respect of sales to customers in the United Kingdom.

JOHNSON & JOHNSON LIMITED

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

5. Other operating income

	Financial year ended 29 December 2019 £000	<i>Financial year ended 30 December 2018 £000</i>
Other operating income	6,761	7,169
	<u>6,761</u>	<u>7,169</u>

Other operating income represents income receivable from fellow group companies for other services provided and expenses incurred by the company.

6. Operating profit

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

	Financial year ended 29 December 2019 £000	<i>Financial year ended 30 December 2018 £000</i>
Depreciation of Property, plant and equipment (Note 13)	590	358
Foreign exchange differences	(7)	114
Share-based payments	807	1,635
Operating lease expenses	72	825
	<u> </u>	<u> </u>

7. Auditors' remuneration

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

	Financial year ended 29 December 2019 £000	<i>Financial year ended 30 December 2018 £000</i>
Audit of entity financial statements	77	74
	<u> </u>	<u> </u>

JOHNSON & JOHNSON LIMITED

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

8. Employees

Staff costs were as follows:

	Financial year ended 29 December 2019 £000	Financial year ended 30 December 2018 £000
Wages and salaries	18,929	18,935
Social security costs	2,763	2,669
Other pension costs (note 18)	5,689	7,395
Share-based payments	807	1,635
	<u>28,188</u>	<u>30,634</u>

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

	Financial year ended 29 December 2019 No.	Financial year ended 30 December 2018 No.
Selling and marketing	217	214
Administration	67	91
	<u>284</u>	<u>305</u>

JOHNSON & JOHNSON LIMITED

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

9. Director's emoluments

	Financial year ended 29 December 2019 £000	Financial year ended 30 December 2018 £000
Aggregate remuneration for qualifying services	488	128
	<u>488</u>	<u>128</u>

Retirement benefits are accruing to two directors (2018: one director) under the company's defined benefit pension scheme and to no directors (2018: no directors) under the money purchase scheme.

No director (2018: no director) exercised share options in the ultimate parent company during the financial year.

	Financial year ended 29 December 2019 £000	Financial year ended 30 December 2018 £000
Highest paid director		
Total amounts of emoluments and amounts (excluding shares) receivable under long-term incentive schemes	204	128
Defined benefit pension scheme:		
- Accrued pension at the end of the year	1	46
	<u>1</u>	<u>46</u>

The highest paid director did not exercise share options in the financial year (2018: options not exercised).

10. Finance income

	Financial year ended 29 December 2019 £000	Financial year ended 30 December 2018 £000
Interest receivable on UK group banking arrangements	173	185
Net interest income on defined benefit pension scheme (note 18 & 19)	598	329
	<u>771</u>	<u>514</u>

JOHNSON & JOHNSON LIMITED

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

11. Income tax expense

	Financial year ended 29 December 2019 £000	Financial year ended 30 December 2018 £000
Tax included in the income statement		
Current tax on profits for the year	1,493	1,732
Adjustments in respect of previous periods	270	63
Total current tax	<u>1,763</u>	<u>1,795</u>
Deferred tax		
Origination and reversal of timing differences	201	(494)
Impact of change in tax rate	(21)	52
Adjustments in respect of prior periods	105	(55)
Total deferred tax	<u>285</u>	<u>(497)</u>
Total tax on profit	<u>2,048</u>	<u>1,298</u>

Factors affecting tax charge for the year

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

	Financial year ended 29 December 2019 £000	Financial year ended 30 December 2018 £000
Profit before income tax	8,697	7,702
Profit multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	1,652	1,463
Effects of:		
Expenses not deductible for tax purposes	13	(95)
Tax rate changes	86	52
Adjustments in respect of prior periods	375	8
Income not taxed	(78)	(130)
Total tax charge for the financial year	<u>2,048</u>	<u>1,298</u>

JOHNSON & JOHNSON LIMITED

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

11. Income tax expense (continued)

Factors that may affect future tax charges

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. In March 2021, the government announced that from 1 April 2023, the corporation tax main rate for non-ring fenced profits will be increased to 25% applying to profits over £250,000. As the proposal to increase the rate to 23% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

Tax (credit)/charge included in other comprehensive income

	Financial year ended 29 December 2019 £000	Financial year ended 30 December 2018 £000
Deferred tax		
Origination and reversal of temporary differences	(49)	1,413
Total tax (credit)/charge included in other comprehensive income	(49)	1,413

Tax expense/(income) included in equity

	Financial year ended 29 December 2019 £000	Financial year ended 30 December 2018 £000
Current tax		
Current tax on items in equity	(31)	(351)
Deferred tax		
Origination and reversal of temporary differences	86	(194)
Total deferred tax included in equity	86	(194)
Total tax expense/(income) included in equity	55	(545)

JOHNSON & JOHNSON LIMITED

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

12. Dividends

	Financial year ended 29 December 2019 £000	Financial year ended 30 December 2018 £000
Dividends paid	-	50,000
	<u>-</u>	<u>50,000</u>

13. Property plant and equipment

	Leasehold improvements £000	Fixtures, fittings and equipment £000	Total £000
Cost			
At 31 December 2018	7,268	1,169	8,437
At 29 December 2019	<u>7,268</u>	<u>1,169</u>	<u>8,437</u>
Depreciation			
At 31 December 2018	6,544	1,065	7,609
Charge for the Financial year on owned assets	533	57	590
At 29 December 2019	<u>7,077</u>	<u>1,122</u>	<u>8,199</u>
Net book value			
At 29 December 2019	<u>191</u>	<u>47</u>	<u>238</u>
At 30 December 2018	<u>724</u>	<u>104</u>	<u>828</u>

JOHNSON & JOHNSON LIMITED

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

14. Trade and other receivables

	29 December 2019 £000	30 December 2018 £000
Trade receivables	92,241	94,774
Amounts owed by group undertakings	10,151	46,615
Other receivables	-	172
Prepayments and accrued income	300	791
	<u>102,692</u>	<u>142,352</u>

Trade receivables represents amounts due from third parties and collected by the company on behalf of fellow group companies under agency arrangements.

Amounts owed by group undertakings includes an amount 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 administered by J.C. General Services CVBA, a company incorporated under Belgian law with registered office at Turnhoutseweg 30, 2340 Beerse, Belgium. The centralised financial management provided in relation to the In-House Treasury Cash Pool is intended to, among other things, enable the Cash Pool participants, by acting collectively, to have access to the broadest range of credit options at arm's length conditions, while optimising the use and investment of the liquidities available within the In-House Treasury Cash Pool.

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

All other amounts owed by group undertakings are unsecured, interest free and have no fixed date of repayment and are repayable on demand.

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

	29 December 2019 £000	30 December 2018 £000
Trade payables	13,855	20,444
Amounts owed to group undertakings	21,724	52,286
Corporation tax	447	57
Other taxation and social security	7,964	8,857
Accruals and deferred income	34,219	34,041
	<u>78,209</u>	<u>115,685</u>

Amounts owed to group undertakings are unsecured, interest free and have no fixed date of repayment and are repayable on demand.

JOHNSON & JOHNSON LIMITED

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

16. Deferred tax

	Accelerated/ decelerated capital allowances £000	Retirement benefits £000	Provisions for liabilities £000	Share-based payments £000	Total £000
At 1 January 2018	132	(1,581)	105	825	(519)
Credit to the income statement	15	220	64	198	497
Charge to other comprehensive income	-	(1,413)	-	-	(1,413)
Credit to equity	-	-	-	194	194
At 30 December 2018	148	(2,774)	169	1,217	(1,241)
Credit/(charge) to the income statement	66	(253)	(42)	(56)	(285)
Credit to other comprehensive income	-	49	-	-	49
Charge to equity	-	-	-	(86)	(86)
At 29 December 2019	<u>213</u>	<u>(2,978)</u>	<u>127</u>	<u>1,075</u>	<u>(1,563)</u>

JOHNSON & JOHNSON LIMITED

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

16. Deferred tax (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:

	29 December 2019 £000	30 December 2018 £000
Deferred tax assets	1,415	1,533
Deferred tax liabilities	(2,978)	(2,774)
Net deferred tax liability reported in the statement of financial position	(1,563)	(1,241)

At 29 December 2019, the company had no unrecognised deferred tax.

17. Provisions

	Employer's national insurance on share- based payments £000
At 31 December 2018	676
Charged to profit or loss	443
Utilised in Financial year	(370)
At 29 December 2019	749

JOHNSON & JOHNSON LIMITED

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

18. Post employment benefits

The company participates in three pension arrangements in conjunction with other companies in the Johnson & Johnson Group. These are a funded, defined benefit plan called the "Johnson & Johnson UK Group Retirement Plan", a defined contribution Plan with some underlying guarantees for employees called the "Johnson & Johnson UK Group Retirement Plan 16"; and an unfunded, unapproved defined benefit arrangement.

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

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 21 March 2017. The valuation results at this date have been updated to 29 December 2019 by a qualified independent actuary. The valuation in the financial statements has been made based on the following assumptions:

	Financial year ended 29 December 2019	Financial year ended 30 December 2018
Expected rate of salary increases	3.90 %	4.10 %
Expected rate of increase of pensions in payment (with RPI capped at 5% per annum)	2.80 %	2.90 %
Discount rate	2.10 %	2.90 %
RPI inflation assumption	2.90 %	3.10 %
CPI inflation assumption	2.10 %	2.10 %

JOHNSON & JOHNSON LIMITED

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

18. Post employment benefits (continued)

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

	Financial year ended 29 December 2019	Financial year ended 30 December 2018
Longevity at age 65 for current pensioners		
- Men	22.3	22.2
- Women	24.2	24.1
Longevity at age 65 for future pensioners		
- Men	23.7	23.6
- Women	25.9	25.8

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

There is an unfunded unapproved pension arrangement for a small number of employees who were either affected by the old "Inland Revenue Earnings Cap" – which was abolished from 6 April 2006, or whose benefits are in excess of the Lifetime Allowance. These members' benefits are paid directly by the company. In addition, following the benefit changes that were implemented with effect from 1 April 2012 (and further benefit changes that were implemented with effect from 1 April 2014), more benefits are accrued outside of the registered pension arrangement. These benefits are also provided through this unfunded arrangement. This unfunded arrangement has been included within the Johnson & Johnson UK Group Retirement Plan in determining the total plan assets and liabilities. The financial assumptions underlying the calculation of the unfunded, unapproved liability are identical to those underlying the calculation of the funded liability.

	Fair value of plan assets £000	Defined benefit obligation £000	Total £000
At 31 December 2018	153,541	(137,221)	16,320
Benefits paid	(3,208)	3,208	-
Employer and other contributions	6,073	(32)	6,041
Current service cost	-	(5,689)	(5,689)
Administrative expenses paid from plan	(285)	-	(285)
Interest income/ (expense)	4,491	(3,934)	557
Allocation of disinvested group pension participant	41	(36)	5
Remeasurement (losses)/gains			
-Effect of changes in financial assumptions	-	(25,769)	(25,769)
-Effect of experience adjustments	-	2,424	2,424
-Return on plan assets	22,602	-	22,602
At 29 December 2019	183,255	(167,049)	16,206

JOHNSON & JOHNSON LIMITED

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

18. Post-employment benefits (continued)

The expected contributions to the UK Group Retirement Plan in the year ended 3 January 2021 are £5,717,000

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 11.9%
Pension growth rate	0.5%	Increase by 5.0%	Decrease by 4.6%
Life expectancy	1 year	Increase by 3.2%	Increase by 3.1%

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

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

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

	Financial year ended 29 December 2019 £000	Financial year ended 30 December 2018 £000
Total service cost	5,689	7,395
Administrative expenses	285	257
Net interest income	(557)	(317)
	5,417	7,335

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18. Post-employment benefits (continued)

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

	Financial year ended 29 December 2019 £000	Financial year ended 30 December 2018 £000
Equity instruments	136,844	110,041
Debt instruments	43,348	38,052
Cash and cash equivalents	2,691	2,245
Other	372	3,203
	<u>183,255</u>	<u>153,541</u>

The return on the UK Group Retirement plan assets was:

	Financial year ended 29 December 2019 £000	Financial year ended 30 December 2018 £000
Interest income	4,491	3,738
Remeasurements	22,602	(10,279)
	<u>27,093</u>	<u>(6,541)</u>

19. Post-employment benefits Plan 16

	Financial year ended 29 December 2019	Financial year ended 30 December 2018
Expected rate of salary increases	3.90%	4.10%
Expected rate of increase of pensions in payment (with RPI capped at 5% per annum)	2.80%	2.90%
Discount rate	2.10%	2.90%
RPI inflation assumption	2.90%	3.10%
CPI inflation assumption	2.10%	2.10%

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19. Post-employment benefits Plan 16 (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 29 December 2019	Financial year ended 30 December 2018
Longevity at age 65 for current pensioners		
-Men	22.3	22.2
-Women	24.2	24.1
Longevity at age 65 for future pensioners		
-Men	23.7	23.6
-Women	25.9	25.8

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.

	Fair value of plan assets £000	Defined benefit obligation £000	Total £000
At 31 December 2018	12,999	(11,955)	1,044
Benefits paid	(90)	90	-
Employer and other contributions	263	-	263
Administrative expenses paid from plan	(57)	-	(57)
Other significant events	530	-	530
Interest income / (expense)	386	(345)	41
Remeasurement (losses)/gains			
- Effect of changes in financial assumptions	-	(1,613)	(1,613)
- Effect of experience adjustment	-	(1,301)	(1,301)
- Return on plan assets	2,408	-	2,408
At 29 December 2019	16,439	(15,124)	1,315

The other significant event is related to the sale during 2018 of LifeScan Scotland, a participating employer in J&J's UK retirement plan 16. LifeScan Scotland's share of the UK retirement plan 16's assets, liabilities and surplus were distributed amongst the remaining participating employers in the 2018 disclosures. A debt payment of £3.9m was received by Plan 16 in early 2019 and is allowed for in the 2019 disclosures by splitting it across the remaining employers under "other significant events".

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19. Post-employment benefits Plan 16 (continued)

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

	Financial year ended 29 December 2019 £000	Financial year ended 30 December 2018 £000
Administrative expenses	57	4
Net interest income	(41)	(12)
	<u>16</u>	<u>(8)</u>

The fair value of the UK Group Retirement Plan 16 assets was:

	29 December 2019 £000	30 December 2018 £000
Equity instruments	11,507	9,099
Debt instruments	4,932	3,900
	<u>16,439</u>	<u>12,999</u>

The return on the UK Group Retirement plan 16 assets was:

	Financial year ended 29 December 2019 £000	Financial year ended 30 December 2018 £000
Interest income	386	314
Remeasurements	2,408	(568)
	<u>2,794</u>	<u>(254)</u>

Johnson & Johnson Group Retirement Plan 16

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

The total contributions paid by the company to Plan 16 and recognised as a defined contribution expense in the year were £263,000 (2018: £173,000). The best estimate of the company contributions expected in the year from 1 January 2020 to 1 January 2021 to be paid to Johnson & Johnson UK Group Retirement Plan 16 is £268,000.

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20. Share based payment

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 \$91.43 (2018: \$78.89).

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\$)
2020	-	63
2021	2,669	62
2022	1,209	65
2023	10,547	73
2024	14,325	90
2025	18,772	100
2026	26,184	102
2027	24,640	116
2028	21,722	130
2029	18,771	132

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.

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21. Called up share capital

	29 December 2019 £000	30 December 2018 £000
Allotted, called up, and fully paid		
11,564,613 (2018: 11,564,613) Ordinary shares of £1 each	11,565	11,565

22. Commitments under operating leases

At 29 December 2019 the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	29 December 2019 £000	30 December 2018 £000
Not later than 1 year	740	740
Later than 1 year and not later than 5 years	740	1,480
	<u>1,480</u>	<u>2,220</u>
Other operating leases		
Not later than 1 year	72	85
Later than 1 year and not later than 5 years	119	174
	<u>191</u>	<u>259</u>

If the company were to pull out of all advertising commitments at the year-end there would be a penalty fee of £2,669,000 liable (2018: £4,296,000).

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23. Events since the year end

As of the financial statement issuance date, the country, region and world are continuing to be impacted by the coronavirus (COVID-19). This outbreak is classified as a non-adjusting event after the reporting date. Although the situation is still evolving at the date of issue of these financial statements, there has been no tangible impact on supply chain to date and although there is some adverse impact on some brands, others have seen an increase in revenue. The impact of this situation on the Company in the future cannot be completely predicted. Management will continue to closely monitor the potential impact of these events and will take all possible measures to mitigate possible consequences.

In 2012 there was a change to the defined benefit pension plan in the UK and the link to future salary increases was broken for active members at that date. This change was implemented based on advice at the time and was considered appropriate. In 2020, it was decided that the UK Care Plan will be closed to future accrual from 2023, with the active membership expected to drop over the period from 2021 to 2023. Following recent court rulings, management decided it was necessary, for members who were active in 2012, to reinstate the salary link up to 2021 or the date they ceased to be active members if earlier. This reinstatement will be treated as a past service cost through the profit and loss account in 2020. At the date of signing, the value of the impact on the company is still being calculated.