Registered no: 2175750

Johnson & Johnson Limited

Annual report

for the year ended 30 December 2001

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for the year ended 30 December 2001

Directors and advisers

Directors

Mrs V J Dawkins
Mr V Pender
Mr C R Thorne

Secretary and registered office

Mrs V J Dawkins
Foundation Park
Roxborough Way
Maidenhead
Berkshire SL6 3UG

Registered auditors

PricewaterhouseCoopers
9 Greyfriars Road
Reading
Berkshire RG1 1JG

Solicitors

Linklaters & Paines
Barrington House
59-67 Gresham Street
London EC2V 7JA

Bankers

Royal Bank of Scotland
Corporate Banking Office
P O Box 450
5-10 Great Tower Street
London EC3P 3HX

Directors' report for the year ended 30 December 2001

The directors present their report and the audited financial statements for the year ended 30 December 2001.

Principal activities

The principal activity of the company is the sale of toiletries and other personal healthcare products.

Review of business and future developments

Both the level of business and the year end financial position remain satisfactory. The directors expect that the present level of activity will be sustained for the foreseeable future. The directors do not expect the future financial position to be affected by currency conversions to the Euro.

Results and dividends

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

The directors paid a dividend in respect of the year ended 30 December 2001 of £16,000,000. (2000: £Nil).

Research and development

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

Directors and Secretary

The directors who held office throughout the year unless otherwise stated are given below: -

Mr V Pender - appointed 1 January 2001 (Chairman)
Mr C R Thorne
Mrs V Dawkins

Directors' interests

According to the register required to be kept under Section 325 of the Companies Act 1985 no director had, at any time during the year ended 30 December 2001, any interests in shares of the company, or any other group company, which are required by Section 324 of the Companies Act 1985 to be notified to the company.

Charitable contributions

There were charitable contributions during the year of £24,916 (2000: £16,581).

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. Briefing meetings for all staff are held regularly.

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

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

Disabled persons

The company adopts the policy of giving full and fair consideration to the employment and training of disabled persons, having regard to their particular aptitudes and disabilities.

Policy and Practice on payment of creditors.

The Company's policy in respect of its' suppliers is to settle the terms of payment with those suppliers when agreeing the terms of each transaction and ensure that these suppliers are made aware of the terms of the payment and abide by the terms of payment.

Trade creditors at the end of the year represented 66 days of purchases (2000: 61 days).

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently with the exception of the changes arising on the adoption of new accounting standards in the year as explained on page 7 under Note 1 'Principal accounting policies'. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 30 December 2001 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They 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.

Auditors

PricewaterhouseCoopers remain in office as auditors of the company in accordance with the provisions of section 386 of the Companies Act 1985.

By order of the board

Mrs V J Dawkins
Company Secretary

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

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards issued by the Auditing Practices Board.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which are considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 30 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Reading 1 October 2002

Profit and loss account for the year ended 30 December 2001

	Notes	2001 £'000	2000 £'000
Turnover	2	**161,037**	146,004
Operating profit	3	**5,892**	11,994
Exceptional item	4	**-**	2,536
Interest payable and similar charges	5	**(125)**	(133)
Interest receivable and similar income	6	**1,269**	1,265
Profit on ordinary activities before taxation	7	**7,036**	15,662
Tax on profit on ordinary activities	10	**(1,277)**	(1,268)
Profit for the financial year		**5,759**	14,394
Dividends paid during the year	11	**(16,000)**	-
(Loss)/retained profit for the financial year	21	**(10,241)**	14,394

The (loss)/retained profit for the year is derived wholly from continuing operations.

The company has no recognised gains and losses other than the (loss)/retained profit above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the (loss)/retained profit for the years stated above, and their historical cost equivalents.

Balance sheet at 30 December 2001

	Notes	**2001** **£'000**	2000 £'000
Fixed assets			
Tangible assets	12	**6,534**	6,959
Investments	13	**9,499**	9,499
		16,033	16,458
Current assets			
Stocks	14	**15,864**	14,711
Debtors	15	**39,707**	34,689
Cash at bank and in hand		**11,040**	28,620
		66,611	78,020
Creditors: amounts falling due within one year	16	**(43,707)**	(46,847)
Net current assets		**22,904**	31,173
Total assets less current liabilities		**38,937**	47,631
Creditors: amounts falling due after more than one year	17	**(743)**	(855)
Provisions for liabilities and charges	18	**(10,343)**	(8,684)
Net assets		**27,851**	38,092
Capital and reserves			
Called up share capital	20	**11,565**	11,565
Profit and loss account	21	**16,286**	26,527
Equity shareholders' funds	22	**27,851**	38,092

The financial statements on pages 5 to 16 were approved by the board of directors on 30th September 2002 and were signed on its behalf by:

V J Dawkins
Director

Notes to the financial statements for the year ended 30 December 2001

1 Principal accounting policies

The financial statements have been prepared under the historical cost convention in accordance with applicable Accounting Standards in the United Kingdom, and the accounting policies set out below.

Adoption of new accounting standards

FRS 17, 'Retirement Benefits', and FRS 18 ' Accounting Policies', have been adopted in this year's financial statements. FRS 17 requires only disclosure and the adoption of FRS 18 has not resulted in any material change to the existing accounting policies.

Research and development

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

Turnover

Turnover, which excludes value added tax and trade discounts, represents the invoiced value of goods and services supplied. The Company recognises revenue from product sales when the goods are shipped or delivered and title passes to the customer.

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual value, on a straight line basis over the expected useful economic lives of the assets concerned from the time those assets are placed in use. The principal annual rates used for this purpose are:

	%
Fixtures, fittings and equipment	10-33

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

Stocks and work in progress

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

Foreign currencies

Trading transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling when the company entered into the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rate ruling at the balance sheet date. Exchange gains or losses are included in operating profit.

Investments

Interests in joint venture companies are treated as associated undertakings and are shown at cost. The company is exempt from preparing consolidated financial statements and therefore the company's share in the results of associated undertakings have not been included in these financial statements using the equity method of accounting. Additional information about the performance and net assets of associated undertakings have not been included in these financial statements as the results of the company and its associated undertakings are included in the consolidated financial statements of Johnson & Johnson Management Limited, a company incorporated in England and Wales.

Operating leases

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

Finance leases

Assets which are financed by leasing agreements that transfer to the company substantially all the risks and rewards of ownership are capitalised in accordance with standard accounting practice and included in fixed assets. The amount capitalised represents the present value of the minimum lease payments. The corresponding leasing commitments are shown as obligations under finance leases within creditors. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease term or the useful lives of equivalent owned assets.

Taxation

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

Pension arrangements

The company participates in the Johnson & Johnson Group Pension arrangements. The Group operates a funded defined benefit pension scheme for UK employees aged over 35 and a defined contribution scheme for new entrants aged under 35, and a small supplementary scheme for executives. There is also an unfunded, unapproved pension arrangement for a small number of employees who are affected by the Inland Revenue earnings cap. The cost of providing future benefits is estimated by independent, qualified actuaries and spread as a substantially level percentage of total pensionable salaries over the expected service lives of current employees in accordance with the provisions of SSAP24. Variations in pension cost are spread over the expected service lives of current employees.

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

The transitional disclosure requirements of FRS 17 (Retirement Benefits) are set out in note 19 to the financial statements.

Cash flow statement

The company is a wholly owned subsidiary of Johnson & Johnson, and the cash flows of the company are included in the consolidated group cash flow statement of Johnson & Johnson. Consequently the company is exempt under the terms of FRS 1 from publishing a cash flow statement.

Related party transactions

The company has taken advantage of the exemption available under FRS 8 not to disclose related party transactions with companies of which 90% or more of the voting rights are controlled within the group. The remaining disclosures required under FRS 8 are given in note 25 to the financial statements.

2 Turnover

The company's turnover is derived solely from the sale of toiletries and other personal healthcare products. The geographical analysis of turnover by destination is as follows:

	2001	2000
	£'000	£'000
Geographical segment		
United Kingdom	**160,299**	142,529
Rest of Europe and Middle East	**602**	3,271
Rest of World	**136**	204
	161,037	146,004

3 Operating profit

	2001	2000
	£'000	£'000
Turnover	**161,037**	146,004
Changes in stocks of finished goods and work in progress	**1,153**	5,862
Raw materials and consumables	**(80,205)**	(66,494)
Other external charges	**-**	(1,660)
Staff costs (see note 9)	**(5,601)**	(7,575)
Depreciation of tangible fixed assets	**(2,874)**	(4,018)
Other operating charges	**(67,618)**	(60,125)
Operating profit	**5,892**	11,994

4 Exceptional items

	2001	2000
	£'000	£'000
Profit on sale of fixed assets	**-**	2,536

The exceptional profit in 2000 arose from the closure and subsequent sale of the company's manufacturing plant a Portsmouth. No tax liability arose on the exceptional profit.

5 Interest payable and similar charges

	2001	2000
	£'000	£'000
On finance leases	**(125)**	(133)

6 Interest receivable and similar income

	2001 £'000	2000 £'000
On amounts due from group undertakings	**1,269**	1,265

7 Profit on ordinary activities before taxation

	2001 £'000	2000 £'000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation charge for the year:		
Tangible owned fixed assets	**2,453**	3,598
Tangible fixed assets held under finance leases	**421**	420
Research and development expenditure	**216**	216
Auditors' remuneration for audit services	**46**	50
Hire of office equipment - operating leases	**1**	7
Hire of land and buildings - operating lease	**1,871**	2,007
(Profit) on disposal of fixed assets	**(1)**	(2,536)

The remuneration of the auditors for non audit services was £64,405 (2000: £29,000).

8 Directors' emoluments

	2001 £'000	2000 £'000
Aggregate emoluments	**368**	454
Contributions paid to the defined contribution pension scheme	**3**	3

Retirement benefits are accruing to 3 directors (2000: 2) under the company's defined benefit pension schemes. One director exercised share options during the year. (2000: nil)

	2001 £'000	2000 £'000
Highest paid director		
Aggregate emoluments and benefits (excluding gains on exercise of share options and value of shares received under long term incentive schemes)	**160**	224
Defined benefit pension scheme:		
Accrued pension at end of year	**45**	25

9 Employee information

The monthly average number of persons (including executive directors) employed during the year was:

	2001 Number	2000 Number
By activity		
Production and distribution	**35**	56
Selling and marketing	**63**	69
Administration	**32**	36
	130	161

There were an additional 66 (2000: 63) persons employed in the Company's European function, the cost of whom were recharged to other group companies.

	2001 £'000	2000 £'000
Staff costs (for the above persons)		
Wages and salaries	**4,075**	6,135
Social security costs	**520**	630
Other pension costs (see note 19)	**1,006**	810
	5,601	7,575

10 Tax charge/(credit) on profit on ordinary activities

	2001 £'000	2000 £'000
United Kingdom corporation tax at 30% (2000: 30%):		
Current	**2,767**	4,595
Deferred	**(479)**	(508)
	2,288	4,087
Adjustments in respect of prior years:		
Current including group transfers	**(1,008)**	(3,571)
Deferred	**(3)**	752
	1,277	1,268

11 Dividends

	2001 £'000	2000 £'000
Dividends paid in the year (£1.38 per share)	16,000	-

12 Tangible fixed assets

	Leasehold buildings	Capital assets under construction	Assets held under finance leases	Fixtures, fittings and equipment	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January 2001	4,739	377	2,026	15,415	22,557
Additions	-	2,144	639	-	2,783
Disposals	-	-	(817)	(18)	(835)
Transfers	775	(2,491)	-	1,716	-
At 30 December 2001	**5,514**	**30**	**1,848**	**17,113**	**24,505**
Accumulated depreciation					
At 1 January 2001	2,785	-	721	12,092	15,598
Charge for year	356	-	421	2,097	2,874
Disposals	-	-	(486)	(15)	(501)
At 30 December 2001	**3,141**	**-**	**656**	**14,174**	**17,971**
Net Book Amount					
At 30 December 2001	**2,373**	**30**	**1,192**	**2,939**	**6,534**
Net book amount					
At 1 January 2001	1,954	377	1,305	3,323	6,959

All land and buildings are held under short term leases.

13 Fixed asset investments

This relates to the company's investment in 50% of the ordinary share capital of an unlimited company, Johnson & Johnson MSD Consumer Pharmaceuticals. The investment is stated at original cost. The registered office of Johnson & Johnson MSD Consumer Pharmaceuticals is at Enterprise House, Station Road, Loudwater, Buckinghamshire.

Johnson & Johnson MSD Consumer Pharmaceutical's principal activity is the marketing of consumer pharmaceuticals.

14 Stocks

	2001	2000
	£'000	£'000
Raw materials and consumables	**57**	-
Work in progress	**-**	63
Finished goods and goods for resale	**15,807**	14,648
	15,864	14,711

15 Debtors

	2001 £'000	2000 £'000
Amounts falling due within one year		
Trade debtors	**24,402**	19,907
Amounts owed by group undertakings	**9,160**	9,054
Other debtors	**2,015**	2,103
Prepayments and accrued income	**898**	875
Deferred tax asset	**3,232**	2,750
	39,707	34,689

16 Creditors: amounts falling due within one year

	2001 £'000	2000 £'000
Trade creditors	**318**	763
Amounts owed to group undertakings	**15,184**	21,308
Obligations under finance leases	**449**	449
Corporation tax	**2,981**	4,972
Other taxation and social security	**1,886**	1,991
Accruals and deferred income	**22,889**	17,364
	43,707	46,847

17 Creditors: amounts falling due after more than one year

	2001 £'000	2000 £'000
Obligations under finance leases	**743**	855
Obligations under finance leases fall due as follows:		
In one year or less	**449**	449
Between two and five years	**743**	855
	1,192	1,304

18 Provisions for liabilities and charges

	Pensions and similar obligations (see note 19) £'000	Share options £'000	Total £'000
At 1 January 2001	6,854	1,830	**8,684**
Provided during the year	1,006	1,306	**2,312**
Utilised during the year	-	(653)	**(653)**
At 30 December 2001	**7,860**	**2,483**	**10,343**

The share options liability will require a transfer of economic benefits only once the related options have been exercised, which will occur over a maximum of nine years after the balance sheet date.

Deferred taxation

Deferred taxation recognised in the financial statements, and the amount unrecognised of the total potential liability/(asset), are as follows:

	Amount recognised		Amount unrecognised	
	2001	2000	**2001**	2000
	£'000	£'000	**£'000**	£'000
Tax deferred by:				
Accelerated capital allowances	**(672)**	(689)	-	-
Other timing differences	**(2,560)**	(2,061)	-	-
	(3,232)	(2,750)	-	-

19 Pension arrangements

The company has continued to account for pensions in accordance with SSAP 24 (Accounting for Pension Costs) and the disclosures given in (a) below are those required by that standard. Additionally the company has set out in (b) below the disclosures required under the transitional arrangements of FRS 17 (Retirement Benefits).

(a) Accounting for Pension Costs

The Company participates in the Johnson & Johnson Group Pension Arrangements. The Group operates a funded defined benefit pension plan for UK employees (and a small supplementary arrangement for directors). There is also an unfunded unapproved pension arrangement for a small number of employees who are affected by the Inland Revenue Earnings Cap. The assets of the funded plans are administered by Trustees and are held in separate funds.

The pension cost and funding arrangements relating to all the UK schemes are assessed in accordance with the advice of a qualified actuary using the Projected Unit Method. This method allows for future growth in pensionable earnings. It allows for any surplus or deficit arising to be spread over the expected service lives of current employees.

The latest actuarial valuation of the main plan was as at 1 April 1999. The principal assumptions were that investment returns would be 6.25% per annum, that salary increases (including promotion) would average 4.25% per annum. Assets were valued by using a modified three year rolling average approach. At the valuation date this averaged asset value was sufficient to cover 111% of the benefits that had accrued to members after allowing for expected future increases in earnings. The market value of the assets for the main Plan was £347,168,011 on 1 April 1999. The pension cost across all three arrangements under SSAP24 has been assessed using the same assumptions as outlined above. For the year in these financial statements the total charge amounted to £1,006,402.

In respect of all three arrangements the Company has made a provision of £7,860,144 this being the excess of the accumulated pension cost over the amount funded, together with the reserve held in respect of the unfunded arrangement. The aggregate pension scheme surplus over both funded pension schemes for the whole J&J Group, at 30 December 2001, was £8.15 million.

(b) FRS 17 Retirement Benefits

The April 1999 actuarial valuation has been updated to 30 December 2001 by a qualified, independent actuary for FRS 17 purposes. The principal assumptions were that the discount rate would be 6.00% per annum, that salary increases (including promotion) would average 3.5% per annum and that inflation would average 2.25% per annum. Assets were taken at market value.

Since more than one employer participates in the J&J Group's pension arrangements, the Company is unable to separately identify its share of this surplus, with the exception of the unfunded scheme.

As outlined above, there is an unfunded unapproved pension arrangement for a small number of employees who are affected by the Inland Revenue Earnings Cap. The FRS 17 liability in respect of each company under this arrangement can be identified and, accordingly, the FRS 17 disclosures for this scheme are set out below. As at 30 December 2001 the FRS 17 liability of this unfunded scheme for Johnson and Johnson Limited was £297,000 (net of a related deferred tax asset of £127,000). The financial assumptions used to calculate the scheme liabilities for this unfunded scheme under FRS 17 at 30 December 2001 are:

Valuation method	Projected unit
Discount rate	6%
Inflation rate	2.25%
Salary increases	3.5%

	2001 **£'000**
Net assets	
Net assets (excluding SSAP 24 pension scheme liabilities and related deferred tax asset)	**33,151**
Unfunded scheme pension liability	**(297)**
Net assets including unfunded scheme pension liability	**32,854**

	2001 **£'000**
Reserves	
Profit and loss reserve (excluding SSAP 24 pension scheme liabilities and related deferred tax asset)	**21,586**
Unfunded scheme pension liability	**(297)**
Profit and loss reserve including unfunded scheme pension liability	**21,289**

20 Called up share capital

	2001 **£'000**	2000 £'000
Authorised		
18,000,000 ordinary shares of £1 each	**18,000**	18,000
Allotted, called up and fully paid		
11,564,613 ordinary shares of £1 each	**11,565**	11,565

21 Profit and loss account

	2001 **£'000**	2000 £'000
At 1 January 2001	**26,527**	12,133
(Loss)/retained profit for the financial year	**(10,241)**	14,394
At 30 December 2001	**16,286**	**26,527**

22 Reconciliation of movements in shareholders' funds

	2001	2000
	£'000	£'000
Opening shareholders' funds	**38,092**	23,698
Profit for the financial year	**5,759**	14,394
	43,851	38,092
Dividend paid	**(16,000)**	-
Closing shareholders' funds	**27,851**	38,092

23 Capital commitments

	2001	2000
	£'000	£'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	**489**	298

24 Financial commitments

The company leases land and buildings on short term leases which all expire after more than five years from the balance sheet date. The annual rental payable under these leases amounts to £1,871,000 (2000: £2,007,000). The rents payable under these leases are subject to re-negotiation at various intervals specified in the leases. The company pays all insurance, maintenance and repairs of these properties.

At 30 December 2001 the company had annual commitments under non-cancellable operating leases for equipment as follows:

	2001	2000
	£'000	£'000
Expiring within one year	1	1

25 Ultimate and immediate parent companies

The directors regard Johnson & Johnson, a company registered in the United States of America, as the ultimate parent company and ultimate controlling party. The ultimate parent's consolidated financial statements may be obtained from Johnson & Johnson, One Johnson & Johnson Plaza, New Brunswick, New Jersey, 08933, USA. The immediate parent company is Johnson & Johnson Management Limited, registered in Great Britain. The immediate parent's consolidated financial statements may be obtained from Johnson & Johnson Management Limited, Foundation Park, Roxborough Way, Maidenhead.