AMO United Kingdom Limited

Annual report and financial statements

For the year ended 29 December 2019
Registered number 04359842

Annual report and financial statements for year ended 29 December 2019

Contents

Directors and other information

Directors	Daniel Gleed Jakob Sveen
Secretary	Daniel Gleed
Registered Number of Incorporation	04359842
Registered Office	Pinewood Campus Nine Mile Ride, Wokingham Berkshire RG40 3EW United Kingdom
Auditors	PricewaterhouseCoopers One Spence Dock North Wall Quay Dublin 1 Ireland
Solicitors	Wansborough Solicitors Northgate House Devizes, Wiltshire SN10 1JX United Kingdom Cripps LLP 23 Kings Hill Avenue Kings Hill, West Malling, Kent ME19 4UA United Kingdom
Bankers	Bank of America NA King Edward Street London EC1A 1HQ United Kingdom

Strategic report
for year ended 29 December 2019

The directors present their report for the year ended 29 December 2019. This is in accordance with The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

Principal activities

AMO United Kingdom Limited is part of a global company, Johnson & Johnson. The company supports AMO Ireland in offering its customers ophthalmic surgical, laser vision correction and contact lens care products for the eye.

Review of business and future developments

Turnover is one of our key performance indicators on which we measure performance. Turnover for the financial year was Stg £8,116,000 (2018: Stg £8,106,000) with a profit of Stg £720,000 (2018: Stg £790,000) which was transferred to reserves. The increase in turnover is driven by an increase in reimbursable expenses incurred by the company on behalf of AMO Ireland. This was partly offset by a decrease in remuneration received from AMO Ireland in compensation for the provision of services by the company. The company has performed in line with expectations, and the directors are satisfied with the year end position.

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

	2019	2018	Change
	Stg £000	Stg £000	%
Turnover	8,116	8,106	0%
Operating profit	839	847	-1%
Profit after tax	720	790	-9%
Equity shareholder's funds	4,207	3,487	21%
Current assets as % of current liabilities	138%	115%	
Number of employees	48	48	

Principal risks and uncertainties

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

The key business risks and uncertainties affecting the company are considered to be a competitive market subject to significant technological change, employee retention and product availability. The company seeks to manage these risks at a company level and through the implementation of policies and strategy at a group level.

Brexit

In the short-term, volatility in the British pound sterling could continue as the United Kingdom negotiates its anticipated exit from the European Union. In the longer term, any impact from Brexit on the Company operations will depend, in part, on the outcome of tariff, trade regulatory and other negotiations.

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of changes in market prices, credit risk, foreign exchange and interest rate risk. The management of these financial risks is performed both by AMO Ireland (a group company) and Johnson & Johnson, with the goal of maintaining an appropriate level of liquidity and financial capacity for the company. Failure to accurately forecast or maintain sufficient liquidity and credit could impact the company's ability to operate and result in a financial loss.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by AMO Ireland, a group company. The company does not use derivative financial instruments and as such no hedge accounting is applied.

Price risk:

Pricing risk is managed by AMO Ireland, a group company, through its pricing policies and the setting of price levels; AMO United Kingdom Limited applies these policies.

Strategic report (continued)
for year ended 29 December 2019

Credit risk:
Credit risk is the risk that a customer will fail to pay amounts due causing financial loss to a company and arises from credit exposures to customers relating to outstanding receivables. The management of such risk is performed by AMO Ireland, a group company. AMO Ireland has a credit policy in place which is designed to ensure that the consistent processes are in place to measure and control credit risk. Under the terms of its agreement with AMO Ireland, AMO United Kingdom Limited shall not be liable for any such risk.

Foreign exchange and interest rate risk:
Fluctuations in foreign exchange rates can have significant effects on the company's reported results. The company's financial assets and liabilities give rise to transactional currency exposures. Such exposures arise from transactions in a currency other than the company's functional currency. The management of such risks is performed by Johnson & Johnson (the Group) via the Group's treasury department. The main underlying economic currency of the group's cash flows is the US dollar. The group's foreign currency exchange management policy is to limit economic and material transactional exposures arising from currency movements against the US dollar.

Liquidity risk:
Liquidity risk is the risk that suitable sources of funding for the company's business activities may not be available. This risk is managed by the AMO Ireland on the company's behalf and as such the company has access to the resources of AMO Ireland, where necessary.

This report was approved by the Board on 14 May 2020 and signed on its behalf by

Daniel Gleed
Director

Date **14 May 2020**

Registration number **04359842**

Directors' report
for year ended 29 December 2019

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

Company Structure

AMO United Kingdom Limited is part of a global company, Johnson & Johnson. Johnson & Johnson is the ultimate parent undertaking and controlling party of the group and its relationship with AMO United Kingdom Limited is detailed in note 16 to the financial statements.

Results for the year and state of affairs for the year ended 29 December 2019

The Statement of Comprehensive Income for the year ended 29 December 2019 and the Statement of Changes in Equity for the year are set out on pages 10 to 11. The profit on ordinary activities for the year before taxation amounted to Stg £881,000 (2018: Stg £995,000). After taxation charge of Stg £161,000 (2018: Stg £205,000) a profit of Stg £720,000 (2018:Stg £790,000) is taken to reserves.

Dividends

The directors do not recommend the payment of any dividend during the year (2018: nil).

Research and development

There was no expenditure in research and development in 2019.

Political Donations

During the year, the company made no political donations.

Future Developments

The long term business outlook for the future remains positive. The ophthalmic surgical business will be supported by the UK's aging demographics. While impacted by the current economic climate, the laser vision correction business is also expected to build in the longer term. The contact lens care business will continue to develop its multi-purpose solution and rewetter franchises.

Share options

The company's employees were members of stock-based compensation plans operated by the ultimate parent company, Johnson & Johnson. Under these plans options can be granted over shares in the ultimate parent company, Johnson & Johnson to employees of the Group.

Going concern

The company's business activities, together with the factors likely to affect its future development, its performance and financial position are set out in the review of the business which forms part of the Strategic Report on pages 2 to 3. The financial risk management objectives, details of its financial instruments and derivative activities, and its exposure to price, credit, liquidity and foreign exchange risk are described in the strategic report.

The company has considerable financial resources at its disposal. As a consequence, the directors believe that the company is well placed to manage its business risks successfully.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Directors and their interests

The directors who served during the year and up to date of signing were:

Daniel Gleed
Jakob Sveen - appointed 6th December 2019
Andrew Crossley - resigned 26th November 2019

Secretary

The Secretary is listed on Page 1.

Post Balance Sheet Events

On 1st January 2020 AMO UK Limited changed to a Limited Risk Distributor "LRD" operating model.

As of the financial statement issuance date, the country, region and world are continuing to be impacted by the coronavirus (COVID-19). According to management, this outbreak is classified as non-corrective event after the reporting date. Although the situation is still evolving at the date of issue of these financial statements, there has been an expected temporary impact on the Company's sales due to the postponement of elective surgeries, however the surgeries are expected to be rescheduled as hospitals start to reopen for such surgeries in the UK in late May 2020. There has been no other tangible impact on the Company, 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.

Directors' report (continued)
for year ended 29 December 2019

Financial instruments

Details of the financial risk management objectives and policies and the exposure of the company to price risk, credit risk, liquidity are provided under principal risks and uncertainties on pages 2 and 3.

Employees

Information concerning employees and their remuneration is disclosed in Note 6. It is company policy to ensure continued employment, where possible, to employees who become temporarily or permanently disabled and to provide training and career development and promotion to disabled employees wherever appropriate. To satisfy that need, consultative procedures enable management and other employees to discuss matters of mutual interest, including health and safety. Through these procedures, departmental changes and the publication of financial and economic information, employees are kept informed of company affairs. In order to safeguard its employees, the company pursues a policy designed to provide secure working environments and training standards at its location. The company also recognises the need to provide information on matters of concern to employees.

Directors' liabilities

The company maintains liability insurance for its directors and officers. Following shareholder approval in August 2006, the company has also provided an indemnity for its directors, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006.

Disclosure of information to auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Independent Auditors

PricewaterhouseCoopers, Chartered Accountants, have been appointed as auditors and have indicated their willingness to continue in office.

This report was approved by the Board on 14 May 2020 and signed on its behalf by

Daniel Gleed
Director

Date **14 May 2020**

Registration number 04359842

Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable UK law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

Daniel Gleed
Director

Date **14 May 2020**

Registration number **04359842**

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Independent auditors' report to the members of AMO United Kingdom Limited

Report on the audit of the financial statements

Opinion

In our opinion, AMO United Kingdom 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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 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 includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

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

Strategic Report and Directors' Report

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

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Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

A. Hayden

Alisa Hayden (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Auditors
Dublin
15 May 2020

Statement of Comprehensive Income

for the year ended 29 December 2019

	Note	2019	2018
		Stg £000	*Stg £000*
Turnover - continuing operations	2	**8,116**	8,106
Cost of sales		**-**	-
Gross profit		**8,116**	8,106
Distribution costs		**(7,215)**	(7,086)
Administrative expenses		**(62)**	(173)
Operating profit - continuing operations	3	**839**	847
Interest receivable and similar income	4	**42**	148
Profit on ordinary activities before taxation		**881**	995
Tax on profit on ordinary activities	7	**(161)**	(205)
Profit on ordinary activities after taxation and profit for the financial year		**720**	790
Other comprehensive income		**-**	-
Total comprehensive income for the year		**720**	**790**

Daniel Gleed
Director

Date 14 May 2020

Registration number 04359842

AMO United Kingdom Limited

Statement of Changes in Equity

for the year ended 29 December 2019

	Notes	Called up Share Capital	Share Premium account	Capital Contribution	Profit and loss account	Total
		Stg £000	Stg £000	Stg £000	Stg £000	Stg £000
At 1 January 2018	14, 15	-*	2,251	273	173	**2,697**
Dividends Paid		-	-	-	-	-
Profit for the year		-	-	-	790	**790**
At 31 December 2018	14, 15	-*	2,251	273	963	**3,487**
Profit for the year		-	-	-	720	**720**
Share options		-	-	-	-	-
Dividends paid		-	-	-	-	-
Balance at 29 December 2019	14, 15	-*	2,251	273	1,683	**4,207**

* less than Stg £1,000

Statement of Financial Position
as at 29 December 2019

	Note	2019		2018	
		Stg £000	**Stg £000**	Stg £000	Stg £000
Fixed assets					
Tangible assets	8		1,285		1,791
Current assets					
Debtors	9	10,587		13,133	
Cash at bank and in hand		-		-	
		10,587		13,133	
Creditors: amounts falling due within one year	10	(7,665)		(11,437)	
Net current assets			**2,922**		1,696
Total assets less current liabilities			**4,207**		3,487
Provision for liabilities	11		-		-
Net assets			**4,207**		3,487
Capital and reserves					
Called up share capital	14		-*		-*
Share premium account	15		**2,251**		**2,251**
Capital contribution	15		**273**		**273**
Profit and loss account	15		**1,683**		**963**
Total shareholders' funds			**4,207**		**3,487**

* less than Stg £1,000

The financial statements of AMO United Kingdom Limited (registered number 04359842) were approved by the board of directors and authorised for issue on 14 May 2020.

Daniel Gleed
Director

Date **14 May 2020**

Notes to the financial statements for the year ended 29 December 2019

1 Accounting Policies

General Information

AMO United Kingdom Limited ("AMO UK Ltd"; the "company") is part of a global company, Johnson & Johnson. The registered office is Pinewood Campus, Nine Mile, Wokingham, Berkshire, RG40 3EW United Kingdom.

The company transitioned to FRS 102 as at 1 January 2014. The financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements for the year ended 29 December 2019.

The following accounting policies have been applied consistently throughout the year in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared on the going concern basis and under the historical cost convention in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The financial statements are expressed in sterling (Stg £), which is the functional currency of the company, and rounded to the nearest Stg £'000. AMO UK Ltd meets the definition of a qualifying entity under FRS 102 and has taken advantage of the disclosure exemptions available to it in respect of its financial statements. AMO UK Ltd is consolidated in the financial statements of its ultimate parent, Johnson & Johnson, copies of which are available at Johnson & Johnson, One & Johnson Plaza, New Brunswick, New Jersey, 08933, USA.

AMO UK Ltd has taken advantage of the following disclosure exemptions under FRS 102:

(i) the requirements of Section 9 "Financial Statement Presentation" paragraph 3.17 (d) and the requirements of Section 7 "Statement of Cashflows".

(ii) the requirements of Section 26 "Share- based payment" paragraphs 26.18 (b), 26.19 to 26.21 and 26.23

(iii) the requirements of Section 33 "Related Party Disclosure", paragraph 33.7

(iv) the requirements of Section 11 "Basic Financial Instruments", paragraph 11.39 to 11.48 A

Related party transactions

As the company is a wholly owned subsidiary of Johnson & Johnson, the company has taken advantage of the exemption contained in chapter 33, (paragraph 3) FRS 102 "Related party transactions" for wholly owned subsidiaries within the group, from the requirement to give details of transactions with entities that are part of the group or investees of the group qualifying as related parties. The consolidated financial statements of Johnson & Johnson, within which this company is included, can be obtained from the address given in note 17.

Tangible assets and depreciation

The cost of tangible assets is their purchase cost, together with any incidental costs of acquisition. Tangible assets are stated at cost less accumulated depreciation. Depreciation is provided at rates designed to write off the cost of tangible assets on a straight line basis over their estimated useful economic lives as follows:

Short leasehold & improvements	Over lease term
Furniture & fixtures	7 years
Office equipment	5 years
Computer equipment	4 years
Machinery & equipment	3 - 5 years
Demonstration equipment	3 - 5 years

Taxation

Current tax, including UK Corporation tax and foreign tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events have occurred at that date will result in an obligation to pay more tax in the future or a right to pay less tax in the future, with the exception that deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Temporary timing differences are differences between profit as computed for taxation purposes and taxation as stated in the financial statements which arise because certain items of income and expenditure in the financial statements are dealt with in different periods for taxation purposes.

Deferred tax is measured at the average rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

Notes to the financial statements for the year ended 29 December 2019 (continued)

1 Accounting policies (continued)

Share based payments
For equity-settled share-based payment transactions (i.e. the issuance of share options), the Company measures the services received and the corresponding increase in equity at fair value at the grant date using the Black-Scholes option pricing model. Fair value is determined on the basis that the services to be rendered by employees as consideration for the granting of share options will be received over the vesting period, which is assessed as at the grant date. The share options granted by the Parent Company (Johnson & Johnson, Inc.) are not subject to market-based vesting conditions as defined in FRS 20 Share-based Payment.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the company's best estimate of the number of equity instruments that will ultimately vest. The expense/credit for a period represents the movement in cumulative expense recognised at the beginning and end of that period. The cumulative charge to the Profit and Loss Account is reversed only where the performance condition is not met or where an employee in receipt of share options leaves service prior to completion of the expected vesting period and those options lapse in consequence.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a non-vesting condition which is treated as vesting irrespective of whether or not it is satisfied, provided that all other performance and/or service conditions are satisfied.

Where an equity-settled award is cancelled, it is treated as if it is vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the company or the employee are not met. All cancellations of equity-settled transaction awards are treated equally.

The financial effect of awards by the parent company of options over its equity shares to the employees of subsidiary undertakings are recognised by the parent company in its individual financial statements.

Cash- settled transactions

The cost of cash-settled transactions is measured at fair value using an appropriate option model pricing model. Fair value is established initially at the grant date and each balance sheet date thereafter until the awards are settled. During the vesting period, a liability is recognised representing the product of the fair value of the award and the portion of the vesting period expired as at the balance sheet date. From the end of the vesting period until settlement, the liability represents the full fair value of the award as at the balance sheet date. Changes in the carrying amount for the liability are recognised in the profit and loss for the period.

Notes to the financial statements for the year ended 29 December 2019

1 Accounting policies (continued)

Post-retirement benefits

Johnson & Johnson UK group operates a defined benefit scheme which is a multi-employer scheme. There are several participating employers in the Johnson & Johnson U.K. Group Retirement Plan (UK CARE Plan) of which AMO United Kingdom Limited is one, and currently there is no differential employer rate that applies. The UK CARE Plan holds, manages and invests assets for the benefit of members. The pension scheme assets and liabilities relating to the employees of the company cannot be separately identified on a consistent and reasonable basis. Pension costs are therefore accounted for on a defined contribution basis (as per FRS 102). The cost of providing pensions to employees is therefore charged to the profit and loss account as incurred.

Foreign currencies

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated using the rate of exchange ruling at the balance sheet date. All exchange differences are included in the profit and loss account in the period in which they arise.

Notes to the financial statements for the year ended 29 December 2019 (continued)

1 Accounting policies (continued)

Provisions

Provisions are recognised when the company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Turnover

Turnover represents the amounts derived from the provision of services which fall within the company's ordinary activities, stated net of value added tax.

Turnover comprises of three components:

- reimbursement of all actual annual costs and expenses incurred by the company in connection with its marketing, selling and general administration of the products in the territory;
- an agreed percentage of net sales in the United Kingdom market; and
- income earned from the provision of supportive services to AMO Ireland, a group company.

All turnover is derived from group under the existing intercompany agreements.

Revenue Recognition

Revenue is recognised at the fair value of the consideration receivable and represents amounts receivable for services rendered in the ordinary course of business of the Company, excluding returns, rebates, discounts and value added tax.

The company recognises revenue when the amount of revenue can be reliably measured, and it is probable that future economic benefits will flow to the company, and the specific conditions for each of the activities as detailed below are met. It is not expected to be able to evaluate the amount of income reliably until they have resolved all contingencies related to the sale.

(a) Commission

The Company recognises under this heading the remuneration received from AMO Ireland, in compensation for their work in the form of commission earned. This remuneration, as stated in the commission contract consists of

1. Expenses incurred by the company in connection with the marketing, sales and product management on behalf of AMO Ireland and
2. A percentage of net sales made by the Company on the sale of products on behalf of AMO Ireland is earned as commission.

In turn the costs incurred by the Company in connection with marketing, sales and administration cannot vary by more than 10% of the budget agreed by both parties (although the budget may change throughout the year whenever the situation requires, and there is prior agreement).

b) Provision of Services

The company recognises under this heading the remuneration received from AMO Ireland in compensation for the provision of services by AMO United Kingdom Limited.

c) Interest income

Interest income is recognized using the method of effective interest rate.

Notes to the financial statements for the year ended 29 December 2019 (continued)

1 Accounting policies (continued)

Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenue and expenses during the year. However the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Taxation

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 13.

2 Turnover

Turnover is derived from the principal activities of the company, which have been outlined on page 2 of the financial statements. It is analysed as follows:

	2019	2018
	Stg £000	*Stg £000*
Commission	**7,052**	6,724
Provision of services	**1,064**	1,382
	8,116	8,106

Notes to the financial statements for the year ended 29 December 2019 (continued)

3 Operating profit

	2019 Stg £000	2018 Stg £000
Operating profit is stated after charging:		
Depreciation of tangible fixed assets:		
-owned	865	825
Services provided by the company's auditors:		
-payable for the audit	5	5
-services relating to taxation	-	-
Operating motor vehicle expenses	106	263
Foreign currency losses	161	252

4 Interest receivable and similar income

	2019 Stg £000	2018 Stg £000
From group undertakings	42	148

5 Directors' emoluments

The emoluments of the directors who were remunerated through the company were as follows:

	2019 Stg £000	2018 Stg £000
Aggregate emoluments	216	197
Defined benefit pension Scheme:		
-Accrued pension at the end of the year	6	4
	222	201

In respect of the highest paid director:

	2019 Stg £000	2018 Stg £000
Aggregate emoluments	216	197
Defined benefit pension Scheme:		
-Accrued pension at the end of the year	6	4
	222	201

During the year, one director (2018: one) accrued benefits under the stakeholder pension scheme.

During the year no directors exercised share options (2018: none).

6 Staff numbers and costs

The average monthly number of persons (including the executive directors) employed by the company during the year to 29 December 2019 analysed by category, was as follows:

	Number 2019	Number 2018
Administration	2	2
Sales, marketing and regulatory	44	46
	46	48

Notes to the financial statements for the year ended 29 December 2019 (continued)

6 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	2019 Stg £000	2018 Stg £000
Wages and salaries	3,133	3,256
Social security costs	364	461
Other pension costs (note 12)	831	761
Cost of RSU and employee share schemes (note 18)	38	96
	4,366	4,574

7 Tax on the profit on ordinary activities

(a) Analysis of charge in the year

	2019 Stg £000	2018 Stg £000
Current tax:		
UK corporation tax at 19% (2018: 19%) on profits of the year	211	233
Changes in enacted rates	-	-
Adjustment in respect of prior years	16	15
Total current tax	227	248
Deferred tax:		
Origination and reversal of timing differences	(66)	(43)
Total deferred tax (note 13)	(66)	(43)
Tax on profit on ordinary activities	161	205

(b) Factors affecting current tax charge in the year

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

	2019 Stg £000	2018 Stg £000
Profit on ordinary activities before taxation	881	995
Profit on ordinary activities multiplied by standard rate in the UK 19% (2018:19%)	167	189
Effects of:		
Expenses not deductible for tax purposes	(22)	1
Accelerated capital allowances & other timing differences	-	-
Changes in enacted rates	-	-
Adjustments in respect of prior years	16	15
Total tax expense	161	205

(c) Factors that may affect future tax charge

From 1 April 2015 corporation tax rate was set at 19% for years starting 1 April 2017, 2018 and 2019 and at 18% for the year starting 1 April 2020.

Notes to the financial statements for the year ended 29 December 2019 (continued)

8 Tangible assets

	Machinery & equipment	Computer equipment	Demonstration equipment	Total
	Stg £000	Stg £000	Stg £000	Stg £000
Cost				
At 1 January 2019	213	63	5,695	5,971
Additions	-	-	596	596
Disposal	(20)	-	(382)	(402)
At 29 December 2019	**193**	**63**	**5,909**	**6,165**
Accumulated depreciation				
At 1 January 2019	181	62	3,937	4,180
Charge for the year	17	1	847	865
Disposal	(7)	-	(158)	(165)
At 29 December 2019	**191**	**63**	**4,626**	**4,880**
Net book value				
At 29 December 2019	**2**	**-**	**1,283**	**1,285**
At 31 December 2018	32	1	1,758	1,791

9 Debtors

	2019	2018
	Stg £000	Stg £000
Amounts falling due within one year:		
Amounts owed by group undertakings	10,204	12,849
Deferred tax asset (note 13)	343	277
Prepayments and accrued income	12	7
Corporation Tax	28	-
VAT	-	-
	10,587	13,133

The amounts owed by group undertakings are unsecured, and includes Stg £1,563,368 (2018: Stg £3,228,579) that bears interest at rates ranging from 3.4% to 4.2%. These amounts have no fixed terms of repayment.

Notes to the financial statements for the year ended 29 December 2019 (continued)

10 Creditors: amounts falling due within one year

	2019 Stg £000	2018 Stg £000
Trade creditors	292	78
Amounts owed to group undertakings	5,974	9,365
Corporation tax	-	72
Payroll taxes and social security	176	156
VAT	212	202
Accruals and deferred income	1,011	1,565
	7,665	11,437

The amounts owed to group undertakings relate to trade, are payable within 60 days (2018: 60 days) and do not bear interest (2018: no interest).

11 Provision for liabilities

A number of the company's employees have been granted share options over the shares of the company's ultimate parent undertaking, Johnson & Johnson. For options granted from the period ended December 2002, the company is liable to pay national insurance, currently 13.8% (2018: 13.8%) on the difference between the option exercise price and the market value of the related share when the options are exercised. As the company is only liable to pay the insurance where the market price exceeds the option price, no provision is required for 2019 (2018: nil)

The amount of national insurance payable will depend on the number of employees who remain with the company and exercise their options, the market price of the ultimate parent undertaking's shares at the time of exercise and the prevailing national insurance rate at that time.

12 Pension scheme

The company is one of several participating employers in the Johnson & Johnson UK Group plan. A number of employees of AMO United Kingdom Limited are covered by this plan. The funded status of the Plan at 31 December 2019 was a surplus/asset of Stg £265.6 million (2018 Stg £267.4 million) across all employers.

The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to Stg £830,862 (2018: Stg £761,076).

Accrued pension contributions at 29 December 2019 is £81,317. (2018: £68,936).

Notes to the financial statements for the year ended 29 December 2019 (continued)

13 Deferred taxation

Deferred taxation has been recognised in respect of the following items:

	2019 Stg £000	2018 Stg £000
Accelerated capital allowances	283	209
Other timing differences	60	68
	343	277

Movements on the deferred tax asset are as follows:

	2019 Stg £000	2018 Stg £000
At 1 January	277	234
Credit to the profit and loss for the year (note 7)	66	43
At 31 December	343	277

The deferred tax asset has been recognised as the directors believe it is probable that the asset will be recovered as they expect the company to remain profitable based on the commissionaire structure of the company in the UK within the AMO group. There are no unrecognised deferred tax assets in either period.

14 Called up share capital

	2019 Stg £	2018 Stg £
Authorised		
Equity : 1,000 ordinary shares of Stg £1 each (2018: 1,000 ordinary shares of Stg £1 each)	1,000	1,000
Allotted, called up and fully paid		
Equity : 175 ordinary shares of Stg £1 each (2018: 175 ordinary shares of Stg £1 each)	175	175

15 Share premium and reserves

	Share premium account Stg £000	Capital contribution account Stg £000	Profit and loss account Stg £000
At 1 January 2019	2,251	273	963
Retained profit for the financial year	-	-	720
Dividends Paid	-	-	-
At 29 December 2019	2,251	273	1,683

During the year ended 31 December 2002, 175 shares were allotted at a total premium of Stg £2,251,000.

The capital contribution amount of Stg £273,000 relates to the total charge in respect of employee share based payment plans, all of which relates to equity-settled share based payment transactions.

Notes to the financial statements for the year ended 29 December 2019 (continued)

16 Parent Undertaking, Controlling Parties and Related Party Transactions

The company is 71% owned by AMO International Holdings, an Irish private unlimited company, and 29% owned by AMO UK Holdings LLC, incorporated in the USA. Both parents are group companies, the ultimate parent company being Johnson & Johnson Inc.

On 25 February 2009 Abbott Laboratories Inc. purchased AMO Inc. AMO Inc. became a wholly owned subsidiary of Abbott Laboratories Inc. as of that date.

On 27 February 2017 Johnson and Johnson purchased Abbott Medical Optics (AMO). AMO Inc. became a wholly owned subsidiary of Johnson & Johnson as of that date.

The smallest and largest group in which the results of the company are consolidated is that headed by the ultimate parent undertaking and controlling party, Johnson & Johnson Inc., a company incorporated in the USA. The consolidated financial statements are available to the public and may be obtained from:

Johnson & Johnson,
One & Johnson Plaza,
New Brunswick,
New Jersey, 08933,
USA

Notes to the financial statements for the year ended 29 December 2019 (continued)

17 Share-based Payments

AMO United Kingdom Limited's ultimate parent company, Johnson & Johnson Inc., maintains an equity settled share-based payment arrangement in the UK, under which employees are awarded grants of stock options, receive restricted stock units and participate in a Share Purchase arrangement (Share Incentive Plan).

Share Incentive Plan costs were accrued in the year of grant. From 1 December 2006, the company has applied the requirements of Financial Reporting Standard 20 Share-based payment ("FRS 20"). In accordance with the transitional provisions, FRS 20 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 December 2006.

Incentive Stock Options and Non-Qualified Stock Options

The company has a stock option scheme for designated employees. Options are granted with an exercise price equal to the market value of Johnson & Johnson Inc.'s stock at the date of grant.

The cost associated with each tranche of awards under each grant is spread over the appropriate vesting period. Stock options are forfeited if the employee leaves the company for reasons other than retirement, death or disability.

The estimated fair value of options is calculated using the Black- Scholes option pricing valuation model

Expected volatility for option grants from 2007 onwards is based on implied volatilities from traded options on Johnson & Johnson stock and historical volatility stock over the expected life of the option.

The expected life of an option is based on both historical and projected exercise and lapsing data.

There were 6,155 options outstanding at 29th December 2019 (2018: Nil).

Notes to the financial statements for the year ended 29 December 2019 (continued)

17 Share-based Payments (continued)

Restricted Stock Units
Restricted stock units of Johnson & Johnson Inc. common stock may be awarded under the company's Incentive Stock plans. Share options expire 10 years from the date of grant and vest after three years. Restricted stock units are forfeited if the employee leaves the company before the awards vest.

Details of the restricted stock units outstanding during the year are as follows:

	J&J 2019		J&J 2018	
	Number of RSUs	Weighted average grant date fair value (US$)	Number of RSUs	Weighted average grant date fair value (US$)
Outstanding at the beginning of year	3,215	-	2,316	-
Granted during the year	658	121.31	1,443	119.43
Forfeited during the year	-	-	-	-
Vested during the year	361	137.69	544	130.13
Outstanding at the end of the year	3,512	-	3,215	-

The company recognised total expenses of Stg £38,000 and Stg £55,000 in relation to all restricted stock units in 2019 and 2018, respectively.

Share options

Share options outstanding at the end of the finanial year have the following expiry dates and exercise prices:

Year of expiry	Number of options	Weighted average exercise price (US$)
2029	6,155	131.94

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.

Other share-based payment plans
The employee Share Incentive Plan is operated in the UK, and is open to all the employees in the UK.

Notes to the financial statements for the year ended 29 December 2019 (continued)

18 Events after the reporting period

on 1st January 2020 AMO UK Limited changed to a Limited Risk Distributor "LRD" operating model.

As of the financial statement issuance date, the country, region and world are continuing to be impacted by the coronavirus (COVID-19). According to management, this outbreak is classified as non-corrective event after the reporting date. Although the situation is still evolving at the date of issue of these financial statements, there has been an expected temporary impact on the Company's sales due to the postponement of elective surgeries, however the surgeries are expected to be rescheduled as hospitals start to reopen for such surgeries in the UK in late May 2020. There has been no other tangible impact on the Company, 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.

19 Approval of the financial statements

The directors approved the financial statements and authorised them for issue on 14 May 2020.