Company No. 03874867 (England and Wales)

COCHLEAR EUROPE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED
30 JUNE 2022

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FOR THE YEAR ENDED 30 JUNE 2022

COMPANY INFORMATION
FOR THE YEAR ENDED 30 JUNE 2022

Directors	R J Brook C P Zuscak (resigned 31 October 2021) S R Sayers M A T Helling (Appointed 1 October 2021)
Secretary	C P Zuscak (resigned 31 October 2021) M A T Helling (Appointed 1 October 2021)
Company number	03874867
Registered office	6 Dashwood Lang Road Bourne Business Park Addlestone Surrey KT15 2HJ
Auditor	KPMG LLP 15 Canada Square London E14 5GL
Banker	HSBC plc 8 Canada Square London E14 5HQ
Solicitor	Taylor Wessing 5 New Street Square London EC4A 3TW

The directors present their Strategic Report for the year ended 30 June 2022.

Objectives

We help people hear and be heard. We empower people to connect with others and live a full life. We transform the way people understand and treat hearing loss. We innovate and bring to market a range of implantable hearing solutions that deliver a lifetime of hearing outcomes.

We connect people with moderate to profound hearing loss to the world of sound by offering life-enhancing hearing solutions that deliver the best possible hearing outcomes. Making evidence-based choices and investing heavily in product and service innovation, we support both patients and medical professionals with a comprehensive infrastructure enabling them to benefit from our solutions for life.

The company continues to expand its product portfolio with the objective of remaining the leader in implantable hearing technology and underpinning future sales growth.

Strategy and business model

Our corporate strategy is centred on the customer with activities aimed at expanding awareness and increasing patient access to the industry for implant candidates. For existing recipients the company is strengthening its servicing capability to provide products, programmes and services to support its lifetime relationship with recipients as well as drive revenue growth.

Cochlear's implant systems comprise an implant which is inserted during surgery and an external sound processor. This external sound processor can be upgraded with new technology as it becomes available. Cochlear's business model includes supporting its customers with innovative and compatible products, through the sale of sound processor upgrades and accessories and ongoing product support.

The company's strategy going forwards combines a focus on further strengthening its presence in Western Europe through the launch of new and innovative products, together with continued investment to grow the business in developing markets in the Middle East.

Principal activities

The company's principal activity is the sale and distribution of implantable hearing devices in Europe, the Middle East and Africa (EMEA) on behalf of its Australian parent, Cochlear Limited.

Business review

During the year ended 30 June 2022, EMEA sales continued to recover following the impact of Covid-19 with growth in both Cochlear Implant and Acoustics revenues. Staffing pressures and Covid restrictions have limited the return to pre-covid clinical capacity, most notably in Germany, Benelux and Nordic regions, where competing surgical resources and patient backlogs impact sales due to the prioritisation of non-elective surgeries.

Business review (continued)

Improved sales performance in Cochlear Europe Limited has been led by CI system sales in UK following a year of severe covid impact to implantations in FY21. MEA has further recovered with strong sales to Saudi Arabia and UAE. Increasing use of technology to support recipients remotely has further supported CI upgrade sales in Western European markets and to a large degree has mitigated the continued capacity restrictions in hospitals.

Acoustics revenue has recovered strongly in FY22, primarily due to the UK launch of the new Baha 6 processor and growth of the new OSIA implant coinciding with the improved clinical capacity in UK clinics.

Results and key performance indicators

Revenue in the year increased 4% from £242.1 million in 2021 to £253.0 million in 2022, representing a return to growth for the first time since the Covid-19 pandemic began, as the EMEA region has continued to recover and clinics have re-opened for surgeries. Revenue growth has also been supported by strong upgrade sales to existing customers throughout the year. Administrative expenses increased 3% from £31.0 million in 2021 to £31.9 million in 2022, approximately in line with revenue growth, however these remain below pre-pandemic levels. Profit before tax for the financial year was £17.8 million, compared to a profit of £6.3 million for the prior year, with the large increase being principally due to dividend income received from group undertakings.

Our focus in the year ended 30 June 2022 has been to return to growth following two years heavily disrupted by the Covid-19 pandemic, whilst continuing to upgrade our product portfolio and to launch new service offerings in response. We have continued with our marketing drive to raise the profiles of our products and to train our professionals and workforce in supporting our customers.

Section 172 statement
As a Board we have always taken decisions for the long term, and collectively and individually our aim is always to uphold the highest standards of conduct. Similarly, we understand that our business can only grow and prosper over the long term if we understand and respect the views and needs of our customers, colleagues and the communities in which we operate, as well as our suppliers, the environment and the shareholders to whom we are accountable.

The directors are required to act in a way that they consider would be most likely to promote the success of the company and for the benefit of its members as a whole, with regards to the matters below, and to work in collaboration with the company's senior leadership team and the group management team in order to achieve this.

a) The likely consequences of any decision in the long term

The directors are required to prepare annual forecasts and business plans by group management. These plans require us to consider the long-term impact of all our strategic decisions and principle risks and uncertainties. These plans are reviewed by group management and updated regularly in light of market conditions.

b) The interests of the company's employees

The Board considers our people to be our greatest asset and the interests of our employees are always considered when decisions are made. We conduct regular surveys to obtain the views of our employees. The results of these surveys are communicated to the Board and shared with employees and action plans implemented to address issues raised.

Section 172 statement (continued)

c) Disabled employees

The company has continued its policy regarding the employment of disabled persons. Full and fair consultation is given to applications for employment made by disabled persons having regard to their aptitude and abilities. Appropriate arrangements are made, wherever possible, for retraining employees who become disabled, including retraining for alternative work, to further their career development with the company.

d) The need to foster the company's business relationships with suppliers, customers and others

The company is very focused on its customers. The directors and senior leadership work closely with customers to build long-term relationships, and often meet with customers to reflect on their feedback. We review consumer service performance indicators across a variety of measures.

Whilst the majority of purchases are made from our group, we have procurement systems in place who work closely with other third-party suppliers across the business. We aim to work in partnership with our suppliers, and to treat them fairly. The Board, in conjunction with group procurement, has oversight of the purchasing process, approves the awarding of large contracts and reviews supplier performance.

e) The impact of the company's operations on the community and environment

We have an impact on the communities and society we operate within. The Board regularly receives updates on our environmental impact, and the business reviews and wherever possible seeks to reduce our environmental footprint.

f) The desirability of the company maintaining a reputation for high standards of business conduct

The Board believes that it is crucial that we are trusted by all stakeholders to maintain the highest standards in everything we do as a business. We aim to always do the right thing by our customers, consumers and suppliers.

We have an employee code of conduct which all employees are expected to read and understand. All employees are informed annually of our whistleblowing policy. The Board has a low risk appetite for reputational risk and such considerations are always part of the decision-making process.

g) The need to act fairly between members of the company

The company is a wholly owned subsidiary and the directors have regular and open dialogue with its members.

Principal risks and uncertainties

Sound risk management is an essential discipline for running the business efficiently and the company is part of the global business-wide risk management process, monitored by the ultimate parent, Cochlear Limited's Board, to ensure a consistent and coherent approach.

Outlined below are the principal risks that the directors believe could materially affect the business. It is possible that risks not currently considered material may become so in the future.

- As demonstrated by COVID-19, pandemics have the potential to impact our markets as elective surgeries may be deferred in order to reduce the strain on healthcare systems. Travel restrictions, government mandated shutdowns and potential supply chain impacts could also have adverse consequences to our business. New safeguards in place in clinical settings also have an impact on the volume of surgeries that can take place which impacts revenue and profit. The company has well-developed business continuity and crisis management plans, a diverse range of customers and a range of products and services that serve to mitigate or manage the impact a pandemic may have on our business.

- The majority of revenue is funded by public health services and business growth is therefore potentially subject to changes in government healthcare policies and healthcare constraints. Future business growth is also reliant on increasing funding of Cochlear Implants in developing markets, which are a significant revenue driver. We continue to work closely with Healthcare Authorities to ensure that Cochlear Implantation is seen as a key healthcare initiative;

- The company's financial statements are expressed in Pounds Sterling and are therefore subject to exchange rate fluctuations as a large amount of the company's sales are in non-Pounds Sterling denominated currencies;

- The company's exposure to credit risk is influenced by the geographical location and characteristics of individual customers. The company does not have a significant concentration of credit risk with a single customer. The majority of receivables are government supported clinics or major hospital chains.

- Notwithstanding the efforts Cochlear Limited makes to determine the safety of its products in order to minimise any health risks, unanticipated issues may arise which require the recall of products. In addition to raising health concerns, this could, in turn, impact current and future sales and profitability; and

- Continued business growth can be undermined without adequate investment in people and infrastructure. The company is focused on recruiting, retaining and developing the necessary expertise and talent and investing in new infrastructure to support the future business requirements.

The fundamental business remains strong and the company does not foresee any significant risk to long term growth targets.

This report was approved by the board of directors on 8 December 2022.

Signed on behalf of the board:

....
M A T Helling
Director

Date: 8 December 2022

The directors present their report and financial statements for Cochlear Europe Limited (Company No. 03874867 - England and Wales) for the year ended 30 June 2022.

Results and dividends

Revenue in the year increased 4% from £242.1 million in 2021 to £253.0 million in 2022 compared to a 3% increase in administrative expenses from £31.0 million in 2021 to £31.9 million in 2022. Dividends of £33.5m were paid during the year (2021: £10.0m).

Going concern

The company meets its day-to-day working capital requirements through its management of cash reserves. Given the continuing uncertainty around surgery capacity and staffing in the medical industry in the aftermath of the COVID-19 pandemic, the Directors have placed a particular focus on the appropriateness of adopting the going concern basis in the preparing the financial statements for the year ended 30 June 2022.

The Directors have undertaken a rigorous assessment of financial forecasts, mitigating actions the company can take and performed sensitivity analysis in order to assess the impact of the company's liquidity position. Cash flow forecasts have been prepared for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds to meet its liabilities as they fall due for that period. Those forecasts are dependent on the company's immediate parent not seeking repayments of the amounts currently due to the parent company, which at 30 June 2022 amounted to £17.5m. Cochlear Limited has indicated that it does not intend to seek repayment of these amounts for the period covered by these forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Directors

The following directors have held office during the year:
S R Sayers
R J Brook
C P Zuscak (resigned 31 October 2021)
M A T Helling (Appointed 1 October 2021)

Employee involvement

The company encourages active employee engagement, holding regular staff meetings during which the trading results are presented as well as updates in new products and other matters affecting the business. In addition, the employees are encouraged to participate in events organised by an Information and Communications Committee which has representatives from each department.

Financial Instruments

The company has recognised all financial instruments in line with the requirements of IFRS 9.

Political contributions
The Company made no political donations or incurred any political expenditure during the year (2021: £nil).

Research and development
Expenditure on research and development for the year was £0.1m (2021: £0.1m).

Other information
An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 2.

Streamlined Energy and Carbon Reporting (SECR)

The Company recognises that climate change and its growing impact on society represents one of the greatest challenges of our time. Although it does not operate in a carbon-intensive industry and produces lower emissions than businesses in many other sectors, Cochlear nonetheless acknowledges its environmental responsibilities and is committed to taking an active role in the global effort to tackle climate change. This year, the global business defined its greenhouse gas targets and its intention to achieve net-zero emissions across its value chain by 2050. Among other measures, it is focusing on optimising its supply chain network to help reduce distance travelled as part of both upstream and downstream transportation of materials and products, and continuing to improve the efficiency of its operation.

In line with the 2018 Streamlined Energy and Carbon Reporting regulations, Cochlear Europe Limited is obliged to report on climate-related metrics, specifically energy consumption and associated greenhouse gas emissions in connection with activities for which the Company is responsible.

Energy Use and Emissions Data

Total Emission Scope Summary

Emission Type	**Energy Consumed (kWh)**	**Emissions (Tonnes of CO2e)**
Scope 1 (direct)	0	0
Scope 2 (indirect)	505,059	98
Scope 3 (indirect)	191,240	44
Total	**696,299**	**142**

Scope 1 Emissions (Direct)

These are emissions from activities owned or controlled by the organisation that release emissions into the atmosphere. Examples include emissions from combustion in owned or controlled boilers, furnaces and vehicles.

Energy Type	**Energy Consumed (kWh)**	**Emissions (Tonnes of CO2e)**
N/A	0	0

Newly for FY22, Cochlear uses electricity rather than a gas boiler to heat its office, therefore no scope 1 emissions were produced this year.

Streamlined Energy and Carbon Reporting (SECR) (continued)

Scope 2 Emissions (Indirect)

These include emission released into the atmosphere associated with consumption of purchased electricity, heat, steam and cooling. These are indirect emission that are a consequences of an organisation's activities, but which occur at sources that the organisation does not own or control.

Energy Type	Energy Consumed (kWh)	Emissions (Tonnes of CO2e)
Purchased Electricity	505,059	98
Total	**505,059**	**98**

Scope 3 Emissions (Indirect)

Emissions that are a consequence of the Company's actions, which occur at sources which the organisation does not own or control and which are not classed as Scope 2 emissions. Examples are business travel by means not owned or controlled by the organisation, which represent the class of Scope 3 emissions reported by Cochlear below. This is specifically travel by road vehicle, since it is not mandatory under SECR to report on rail or air travel.

Energy Type	Energy Consumed (kWh)	Emissions (Tonnes of CO2e)
Employee-owned cars	191,240	44
Total	**191,240**	**44**

Comparative historical data

	Energy Consumed (kWh)	Emissions (Tonnes of CO2e)
2021 all scopes	837,641	194
2020 all scopes	943,364	220

The FY22 data displayed above evidences a clear year-on-year decrease in energy consumption by the business and production of associated emissions. This is due both to a rise in agile working, and the adoption of an electricity- rather than gas-based heating system for the Company's office. The improvement is also reflected in the change in the intensity ratio as set out in the section below.

Intensity Ratios

Intensity ratios compare emissions data with an appropriate business metric or financial indicator. The Company has chosen to use tonnes of CO2e per £million revenue for its Intensity Ratio.

Intensity Measurement	Turnover (£m)	Intensity Ratio (tCO2e/Turnover)
Tonnes of CO2e per £m sales revenue	£253m	0.56 (2021: 0.80)

Streamlined Energy and Carbon Reporting (SECR) (continued)

Reporting Methodology
The Company has obtained guidance from the UK Government Environmental Reporting Guidelines (March 2019), the GHG Reporting Protocol – Corporate Standard and from the UK Government GHG Conversion Factors for Company Reporting in calculating its energy consumption and greenhouse gas emissions. Electricity usage information, which has been obtained directly from the Company's electricity supplier, relates exclusively to the Company's single UK office. Mileage data submitted for the purposes of expense claims has been used to calculate emissions from employee-owned cars. CO2-equivalent emissions were calculated using the appropriate emission factors from the UK Government GHG Conversion Factors.

Statement of disclosure to auditor

The directors, who held office at the date of the approval of this Directors' Report, confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor
Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

This report was approved by the board of directors on 8 December 2022.

Signed on behalf of the board:

....

M A T Helling
Director
Registered Office:
6 Dashwood Lang Road
Bourne Business Park
Addlestone, Surrey, KT15 2HJ

Date: 8 December 2022

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*

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 judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

....

Date: 8 December 2022

M A T Helling
Director
6 Dashwood Lang Road
Bourne Business Park
Addlestone
Surrey KT15 2HJ

KPMG

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COCHLEAR EUROPE LIMITED

Opinion

We have audited the financial statements of Cochlear Europe Limited ("the company") for the year ended 30 June 2022 which comprise the Profit and loss and other comprehensive income, the Balance sheet, statement of changes in equity, and related notes, including the accounting policies in note 1. .

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COCHLEAR EUROPE LIMITED (CONTINUED)

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that Group management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition due to limited opportunities to manipulate revenue.

We did not identify any additional fraud risks.

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those containing specific words and posted to unusual accounts and by unexpected users.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: anti-bribery, personal data (including specific data on health) and employment law recognising the nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COCHLEAR EUROPE LIMITED (CONTINUED)

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 10, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Chrissy Douka (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
14 December 2022

PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2022 £'000	2021 £'000
Revenue	4	252,953	242,073
Cost of sales		(206,879)	(201,033)
Gross profit		46,074	41,040
Distribution costs		(4,769)	(3,641)
Administrative expenses		(31,939)	(31,004)
Other operating income		-	39
Operating profit	7	9,366	6,434
Finance income	5	15	-
Finance costs	6	(110)	(99)
Income from shares in group undertakings	12	8,502	-
Profit on ordinary activities before taxation		17,773	6,335
Income tax expense	10	(1,862)	(1,222)
Profit for the financial year		15,911	5,113
Total comprehensive income for the financial year		15,911	5,113

All amounts relate to continuing operations
The notes on pages 17 to 35 form part of these financial statements.

BALANCE SHEET
AS AT 30 JUNE 2022

	Notes	2022 £'000	2021 £'000
Fixed assets			
Tangible fixed assets	11	4,628	5,265
Investments	12	18,823	18,823
Total fixed assets		23,451	24,088
Current assets			
Stocks	13	32,699	26,099
Trade and other receivables	14	42,590	54,588
Cash and cash equivalents		5,807	5,471
Total current assets		81,096	86,158
Less: current liabilities			
Creditors: amounts falling due within one year			
Trade and other payables	15	43,368	31,257
Total assets less current liabilities		61,179	78,989
Less			
Creditors: amounts falling due after more than one year			
Trade and other payables	15	2,798	3,189
Provisions	16	2,108	1,962
NET ASSETS		56,273	73,838
CAPITAL AND RESERVES			
Called up share capital	19	20,000	20,000
Capital contribution reserve	20	28,507	28,451
Foreign currency translation reserve	20	(32)	-
Profit and loss account	20	7,798	25,387
SHAREHOLDERS FUNDS		56,273	73,838

The notes on pages 17 to 35 form part of these financial statements.

The financial statements on pages 14 to 35 were approved by the board of directors and authorised for issue on 8 December 2022 and are signed on its behalf by:

M A T Helling
Director

Date: 8 December 2022

COCHLEAR EUROPE LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2022

	Share capital £'000	Capital contribution reserve £'000	Translation Reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 July 2020	20,000	28,372	-	30,274	78,646
Capital contribution	-	79	-	-	79
Dividends	-	-	-	(10,000)	(10,000)
Transactions with owners	20,000	28,451	-	20,274	68,725
Total comprehensive income for the financial year	-	-	-	5,113	5,113
Balance at 1 July 2021	20,000	28,451	-	25,387	73,838
Capital contribution	-	56		-	56
Dividends	-	-	-	(33,500)	(33,500)
Transactions with owners	20,000	28,507	-	(8,113)	40,394
Change in foreign currency reserve	-	-	(32)	-	(32)
Total comprehensive income for the financial year	-	-	-	15,911	15,911
Balance at 30 June 2022	20,000	28,507	(32)	7,798	56,273

The notes on pages 17 to 35 form part of these financial statements.

1. General information

The principal activity of Cochlear Europe Limited ("the company") is the sale and distribution of implantable hearing devices in Europe, the Middle East and Africa (EMEA) on behalf of its Australian parent, Cochlear Limited.

The company (Company No. 03874867 - England and Wales) is a private company limited by shares and it is incorporated and domiciled in the UK. The address of its registered office is 6 Dashwood Lang Road, Bourne Business Park, Addlestone, Surrey KT15 2HJ.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. They have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 101: Reduced Disclosure Framework ("FRS 101").

These financial statements have been prepared under the historical cost convention, using the recognition, measurement and disclosure requirements of the international accounting standards ("UK-Adopted IFRSs") but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions have been taken.

Reduced disclosures

The following exemptions have been applied in the preparation of these financial statements and, where relevant, equivalent disclosures have been made in the group financial statements of the ultimate parent company, in accordance with FRS 101:

- Presentation of a statement of cash flow and related notes;
- Disclosure of the objectives, policies and processes for managing capital;
- Disclosure of key management personnel compensation;
- Disclosure of the categories of financial instruments and nature and extent of risks arising on these financial instruments;
- Comparative period reconciliations for Tangible fixed assets and Called up share capital;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- IFRS 2 share based payment disclosures in respect of group settled share based payments; and
- Disclosure of the effect of financial instruments on the profit and loss and other comprehensive income

The financial statements of the company are consolidated into the financial statements of Cochlear Limited, a company incorporated in Australia. The consolidated financial statements of Cochlear Limited, prepared under IFRS, are available from its registered office, 1 University Avenue, Macquarie University, NSW 2109, Australia.

2. **Summary of significant accounting policies (Continued)**

Going concern

The company had net assets of £56,273k as at 30 June 2022 (2021: £73,838k) with a profit of £15,911k (2021: £5,113k) for the year ended 30 June 2022. The Company has an established product base and maintained profitability and cash generation during FY22 and as at 30 June 2022 unrestricted cash of £5,807k (2021: £5,471k) was available to fund the business.

The company meets its day-to-day working capital requirements through its management of cash reserves. Given the continuing uncertainty around surgery capacity and staffing in the medical industry in the aftermath of the COVID-19 pandemic, the Directors have placed a particular focus on the appropriateness of adopting the going concern basis in the preparing the financial statements in for the year ended 30 June 2022.

The Directors have undertaken a rigorous assessment of financial forecasts, mitigating actions the company can take and performed sensitivity analysis in order to assess the impact of the company's liquidity position. Cash flow forecasts have been prepared for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds to meet its liabilities as they fall due for that period. Those forecasts are dependent on the company's immediate parent not seeking repayments of the amounts currently due to the parent company, which at 30 June 2022 amounted to £17.5m. Cochlear Limited has indicated that it does not intend to seek repayment of these amounts for the period covered by these forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Consolidation

The financial statements present information about the company as an individual undertaking and not about its group, as the company has taken advantage of the exemption provided by section 401 of the Companies Act 2006, since it is a wholly owned subsidiary undertaking of Cochlear Limited, a company incorporated in Australia, and is included in the consolidated financial statements of Cochlear Limited. The consolidated financial statements are available from the registered office of Cochlear Limited whose address is given above.

2. **Summary of significant accounting policies (Continued)**

Foreign and functional currencies

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets are reviewed for possible reversal at each reporting date.

Tangible fixed assets

Tangible fixed assets are stated at cost deemed cost less accumulated depreciation and accumulated impairment losses. Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

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. All other repairs and maintenance are charged to the profit and loss and other comprehensive income during the financial period in which they are incurred.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

Land and buildings	over the lease term
Plant and machinery	3 to 8 years

2. **Summary of significant accounting policies (Continued)**

Tangible fixed assets (continued)

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date. 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 administrative expenses in the profit and loss and other comprehensive income.

Investment in subsidiaries

Investments in subsidiaries are held at cost less accumulated impairment losses. The company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. Impairment losses are recognised in the profit and loss and other comprehensive income.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost represents the actual cost of the stock as purchased from parent company Cochlear Limited.

Leases

The company leases a number of assets including land and buildings, office equipment and motor vehicles. These lease agreements often include a standard lease term with an extension option at the end. Lease agreements may include annual rent increases based on either a fixed percentage or benchmarked against an inflation index. Land and building leases may also include periodic market rent reviews which resets the rent to the market rent at the time of the review.

At inception of a contract, the company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Where the contract contains a lease, a lease liability is recognised at lease commencement date. The liability is initially measured at the present value of future lease payments, discounted using the company's incremental borrowing rate.

The lease liability is subsequently remeasured when there is a modification in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised. The right of use asset is initially measured at cost and subsequently adjusted for certain remeasurements of the lease liability.

Over the life of the lease, the lease liability will be increased by interest costs and will be reduced as lease payments are made. The right of use asset is amortised on a straight-line basis over its useful life.

The company has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the business is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right of use assets recognised.

2. Summary of significant accounting policies (Continued)

Leases (continued)

The company has elected not to recognise a right of use asset and a corresponding lease liability for leases with a term of less than 12 months or for leases of low-value assets. The company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit and loss and other comprehensive income on a straight-line basis over the period of the lease.

Revenue recognition

Revenue comprises income earned (net of returns, discounts and allowances and excluding sales tax) from the provision of products and services. Revenue from the sale of products is recognised in the profit and loss and other comprehensive income when control passes to the customer with the exact timing dependent on the agreed sales terms for each contract. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or if there is a risk of return of goods or there is continuing management involvement with the goods. Revenue from the provision of services is recognised when the service has been provided to the customer where there are no continuing unfulfilled performance obligations.

Finance income

Finance income is recognised using the effective interest method. When a loan or receivable is impaired, the company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Finance income on impaired loans and receivables is recognised using the original effective interest rate.

Finance costs

Finance costs include interest payable recognised using the effective interest method.

Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

2. Summary of significant accounting policies (Continued)

Pensions

The company operates a defined contribution pension scheme for employees. Contributions are paid as fixed contributions into a separate entity and are recognised as an expense in the profit and loss and other comprehensive income in the periods during which services are earned by employees. 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. The company has no further payment obligations once the contributions have been paid. The 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..

Share-based payments

The company's parent has granted options and performance shares to certain employees under the Cochlear Executive Long Term Incentive Plan (CELTIP) and ShareWave plan, the latter of which was newly introduced for FY22.

Where the company's parent grants rights to its equity instruments to the company's employees, which are in turn accounted for as equity-settled in the consolidated accounts of the parent, the company also accounts for these share-based payments as equity-settled. The fair value is measured at the date the options or shares are granted using the Black-Scholes method, taking into account market- and non-market-based criteria, as well as the terms and conditions attached to the options and shares. The company recognises the associated expenditure in the profit and loss account over the vesting period between the grant date and vesting date, after which the employees become unconditionally entitled to the options and shares. The amount recognised as an expense is adjusted to reflect the actual number of options and shares that vest except where forfeiture is due to market related conditions, and an amount equal to this expenditure is recognised in Reserves.

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation.

Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit and loss and other comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is recognised in other comprehensive income or directly in shareholders' funds, respectively.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. 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.

2. **Summary of significant accounting policies (Continued)**

Current and deferred tax (continued)

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax is recognised on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is released or the deferred tax liabilities is settled.

Deferred 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 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.

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the relevant instrument and are initially recorded at fair value. Subsequent measurement of those instruments at the year-end date reflects the designation of the financial instrument. The company determines the classification at initial recognition and re-evaluates this designation at each reporting date. Financial assets and liabilities are offset and the net amount presented in the balance sheet when the company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the profit and loss and other comprehensive income within interest income or expenses in the period in which they arise.

Trade and other debtors
Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors
Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Dividends

A liability for dividends payable is recognised in the financial year in which the dividends are declared and is cleared when the liability is settled.

2. **Summary of significant accounting policies (Continued)**

Changes in accounting policies

New standards and interpretations not yet adopted

IFRS 17 Insurance Contracts was issued by the IASB in May 2017 and is effective for annual reporting periods beginning on or after 1 January 2023. This new standard is not expected to impact the financial statements of Cochlear Europe Limited for the year ended 30 June 2022. Moreover, as Cochlear Europe Limited does not conduct activity related to insurance contracts, it is not anticipated that it will give rise to any accounting changes for the company in future years.

3. Use of judgements and estimates

The preparation of financial statements in conformity with FRS 101 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the financial year in which the estimate is revised and in any future years affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in Note 14 – Trade and other receivables and Note 16 – Provisions.

4. Revenue

Revenue represents amounts derived from the provision of goods and services which fall within the company's ordinary activities after deduction of trade discounts and value added tax. All revenue arises entirely from the sole principal activity of the company and is attributable to each of the company's geographical markets as follows:

	2022	2021
	£'000	£'000
United Kingdom	45,783	37,358
Other EU countries	154,046	158,699
Rest of the world	53,124	46,016
	252,953	242,073

The revenue information above is based on the location of the customer.

5. Finance income

	2022	2021
	£'000	£'000
Amounts receivable from group undertakings	6	-
Amounts receivable on bank balances	9	-
	15	-

6. Finance costs

	2022	2021
	£'000	£'000
Amounts payable to group undertakings	-	16
Amounts payable on bank loans and overdrafts	34	-
Amounts payable to Lease contracts	76	83
	110	99

7. Operating Profit

	2022 £'000	2021 £'000
Profit on ordinary activities before taxation is stated after charging / (crediting):		
Adjustments to stock valuation	3,750	2,212
Depreciation of Tangible fixed assets	1,295	1,136
Losses on exchange movements	(604)	5,017
Research and development expenditure	108	95
Auditor's remuneration:		
- Audit of these financial statements	170	170
- Tax compliance services	20	19

All amounts relate to continuing operations.

8. Staff numbers and cost

	2022 Number	2021 Number
The average number of persons employed by the company during the year was:		
Clinical and technical	10	10
Directors	-	2
Administration	90	81
Sales and marketing	66	59
	166	152

The aggregate payroll costs of these persons were as follows:	2022 £'000	2021 £'000
Wages and salaries	10,607	9,026
Social security costs	1,379	1,056
Share based payments	56	79
Contributions to defined contribution plans	387	391
	12,429	10,552

9. Directors' remuneration

	2022 £'000	2021 £'000
Directors emoluments	713	892
Contributions to defined contribution plans	2	17
	715	909

At 31 June 2022, the number of directors for whom benefits were accruing under defined contribution schemes were 1 (2021: 1).

During the year, remuneration costs for 3 directors (2021: 3) were borne by other group companies (Cochlear Limited, Cochlear Nordic AB and Cochlear AG) in relation to their work for Cochlear Europe Limited. The cost to Cochlear Limited was £28,000 (2021: £25,000), the cost to Cochlear Nordic AB was £90,000 (2021: £nil) and the cost to Cochlear AG was £544,000 (2021: £579,000), paid to the highest director.

10. Income tax

	2022 £'000	2021 £'000
Current tax expense:		
UK corporation tax on income for the period	2,010	1,241
Adjustments in respect of prior periods	-	-
Overseas taxation	55	-
Total current tax	2,065	1,241
Deferred tax expense:		
Origination and reversal of temporary differences	(35)	(19)
Changes in tax rates	(168)	-
Adjustments in respect of prior periods	-	-
Total deferred tax	(203)	(19)
Tax on profit on ordinary activities	1,862	1,222

Reconciliation of effective tax rate	2022 £'000	2021 £'000
The tax assessed for the year is lower than the standard rate of corporation tax as explained below:		
Profit on ordinary activities before tax	17,773	6,335
Tax using the UK corporation tax rate of 19% (2021: 19%)	3,377	1,203
Effects of:		
Expenses not deductible for tax purposes	213	19
Income received not taxable	(1,615)	-
Overseas taxation	55	-
Difference in tax rates	(168)	-
(Over) / under provided in prior years	-	-
Total tax expense	1,862	1,222

10. **Income tax (continued)**

A UK corporation tax rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. The government announced on 3 March that the corporation tax rate will increase to 25% on 1 April 2023. As deferred tax assets and liabilities are measured at the rates that are expected to apply in the periods of the reversal, deferred tax balances at 30 June 2022 have been calculated at the rate at which the relevant balance is expected to be recovered or settled.

11. **Tangible fixed assets**

	Land and buildings £'000	Plant and machinery £'000	Motor Vehicles £'000	Total £'000
Cost:				
At 1 July 2021	6,261	2,653	-	8,914
Additions	429	133	96	658
Transfers	(416)	412	-	(4)
Disposals	-	-	-	
At 30 June 2022	6,274	3,198	96	9,568
Accumulated depreciation:				
At 1 July 2021	1,924	1,725	-	3,649
Transfers	(353)	349	-	(4)
Charge for the year	936	309	50	1,295
Disposals	-	-	-	-
At 30 June 2022	2,507	2,383	50	4,940
Net book value:				
At 30 June 2022	**3,767**	**815**	**46**	**4,628**
At 30 June 2021	**4,337**	**928**	-	**5,265**

Depreciation of Tangible fixed assets is recorded in administrative expenses.

At 30 Juné 2022, tangible fixed assets includes right-of-use assets totalling £2,973,823 included under Land and buildings, £18,226 included under Plant and machinery and £46,184 included under Motor vehicles.

12. Fixed asset investments

	Shares in group undertakings £'000
Cost:	
At 1 July 2021	32,264
Additions	-
Disposals	-
At 30 June 2022	32,264
Impairment:	
At 1 July 2021	13,441
Charge for the year	-
At 30 June 2022	13,441
Net book value:	
At 30 June 2022	**18,823**
At 30 June 2021	**18,823**

12. Fixed asset investments (Continued)

The company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. The company's subsidiary undertakings as at 30 June 2022 are set out below:

Name of company	Country of incorporation or registration	Class of shares held	Proportion of class
Cochlear Research and Development Limited	England & Wales	Ordinary	100%
Registered office - 6 Dashwood Lang Road, Bourne Business Park, Addlestone, Surrey KT15 2HJ			
Cochlear France SAS	France	Ordinary	100%
Registered office - 135 Route de Saint Simon, CS 43574, 31035 Toulouse, France			
Cochlear Italia SRL	Italy	Ordinary	100%
Registered office - Via Larga 33, 40100, Bologna, Italy			
Cochlear Nordic AB	Sweden	Ordinary	100%
Registered office - Konstruktionsvägen 14, SE-435 33 Mölnlycke, Göteborg, Sweden			
Cochlear Tibbi cihazlar ve Saglik Hizmetleri Ltd Sti	Turkey	Ordinary	100%
Registered office - Çubuklu Mahallesi, Bogazici Cad, Bogazici Plaza, No: 6/1 Kavacik Beykoz, Istanbul			
Cochlear AG	Switzerland	Ordinary	100%
Registered office - Peter Merian-Weg 4, 4052 Basel, Switzerland			
Cochlear (UK) Limited	England & Wales	Ordinary	100%
Registered office - 6 Dashwood Lang Road, Bourne Business Park, Addlestone, Surrey KT15 2HJ			
Cochlear Austria GmbH	Austria	Ordinary	100%
Registered office - Millennium Tower, Handelskai 94-96, 1200 Vienna, Austria			
Cochlear Middle East FZ-LLC	Dubai Medical Freezone	Ordinary	100%
Registered office - Al Razi Building 64, Ground Floor, Block A, Offices IR1 & IR2, Dubai Healthcare City, P.O. Box 380584, Dubai			
Cochlear Norway AS	Norway	Ordinary	100%
Registered office – Majorstuveien 36, 0367, Oslo, Norway			
Cochlear Benelux NV*	Belgium	Ordinary	100%
Registered office - Schalienhoevedreef 20, Gebouwi, B-2800 Mechelen, Belgium			
Cochlear Rus LLC	Russia	Ordinary	100%
Registered office – Room 17, 8th Floor, 16A Leningradskoe shosse, building 1, Moscow, 125171, the Russian Federation			

During 2022 the company received dividends from Cochlear Research and Development Limited of £8,502,000 (2021: nil).

13. Stocks

	2022	2021
	£'000	£'000
Finished goods	32,699	26,099
	32,699	26,099

Changes in finished goods recognised as cost of sales in the year amounted to £206,879,000 (2021: £201,033,000). The write-down of stocks to net realisable value amounted to £1,837,000 (2021: £1,375,000). The reversal of write-downs amounted to £88,000 (2021: £65,000) and are included in cost of sales.

14. Trade and other receivables

	2022	2021
	£'000	£'000
Due within one year:		
Trade receivables	32,591	31,243
Amounts owed by group undertakings	152	13,567
Amounts owed by undertakings in which the company has a participating interest	6,109	5,673
Other receivables	2,627	3,188
Prepayments and accrued income	516	475
Deferred tax asset (Note 17)	595	442
	42,590	54,588

Off the total trade receivables balance, £32,591,000 (2021: £31,243,000), an expected credit loss allowance of £1,580,000 (2021: £2,640,000) has been applied. The expected credit losses are calculated in accordance with the simplified approach as permitted by IFRS 9, using a provision matrix applying lifetime historical credit loss experience to trade receivables. The expected credit loss rate varies depending on whether, and to the extent, settlement of trade receivables is overdue, and it is also adjusted as appropriate to reflect current economic conditions and estimates of future conditions. For the purpose of determining credit loss rates, customers are classified into groupings that have similar risk patterns. The key drivers of the loss rate are the location and type of customer and thus, centred around the recoverability of receivables from countries with political and economic uncertainty.

15. Trade and other payables

	2022	2021
	£'000	£'000
Falling due within one year		
Trade payables	924	919
Amounts owed to group undertakings	19,678	8,433
Amounts owed to undertakings in which the company has a participating interest	9,208	8,828
Accruals and deferred income	12,411	11,481
Lease Liability	943	1,112
Other creditors	204	484
	43,368	31,257
Falling due after more than one year		
Lease Liability	2,605	3,189
Accruals and deferred income	193	0
	2,798	3,189

16. **Provisions**

	Dilapidations	Warranty	Total
	£'000	£'000	£'000
Balance at 1st July 2021	1,031	931	1,962
Provisions made during the year	-	146	146
Utilised during the year	-	-	-
Balance at 30th June 2022	**1,031**	**1,077**	**2,108**

The company holds a lease over its office premises that requires the asset to be returned to the lessor in its original condition. The lease payments do not include an element for repairs/overhauls. A provision for dilapidations was recognised at the time it was determined that it was probable that such costs will be incurred in a future period, measured at the expected cost of returning the asset to the lessor in its original condition.

A warranty provision is held to cover non-standard warranty obligations in France that extend further than Cochlear's standard manufacturing warranty.

17. **Deferred tax assets and liabilities**

Deferred tax liability / (asset):	2022	2021
	£'000	£'000
At 1 July	(442)	(396)
Charged/(credited) to the statement of comprehensive income	(203)	(19)
Charged/(credited) against reserves	50	(27)
Change on initial application of IFRS 16	-	-
At 30 June	(595)	(442)

The provision for deferred tax consists of the following deferred tax balances:

	2022	2021
	£'000	£'000
Differences between depreciation and capital allowances	34	34
Differences on provisions	(560)	(423)
Differences on treatment of operating leases	(69)	(53)
At 30 June	(595)	(442)

18. **Employee benefits**

Defined contribution scheme:
The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension charge to the profit and loss and other comprehensive income represents contributions payable by the company to the fund during the year. At the balance sheet date, contributions of £Nil (2021: £Nil) were outstanding.

19. Called up share capital

	2022	2021
	£'000	£'000
Allotted, issued and fully paid:		
20,000,000 ordinary shares of £1 each	20,000	20,000

Dividends of £33.5m were declared and paid during the year (2021: £10.0m).

20. The components of equity

Called up share capital:
The called up share capital records the nominal value of shares issued and paid up.

Capital contribution reserve:
Represents capital contributions from shareholders which are not denominated in terms of called up share capital.

Foreign currency translation reserve:
Represents the foreign exchange gain/loss from translating balances held in the Czech branch, which has a different functional currency, into GBP for the purposes of inclusion within the financial statements.

Profit and loss account:
Represents the cumulative profit and loss of the company, net of distributions to owners.

21. Leases

Right-of-use assets
Right-of-use assets related to lease properties that do not meet the definition of investment properties are presented as property, plant and equipment (see note 11):

	Land and buildings	Plant and machinery	Motor Vehicles	Total
	£'000	£'000	£'000	£'000
At 1 July 2021	3,406	32	-	3,438
Additions Right of use asset	305	-	96	401
Depreciation for the year	(737)	(14)	(50)	(801)
Balance at 30 June 2022	2,974	18	46	3,038

Amounts recognised in profit or loss
The following amounts have been recognised in profit or loss for which the company is a lessee:

Leases under IFRS 16	2022	2021
	£'000	£'000
Interest expense on lease liabilities	76	83
Depreciation of right of use assets	801	712
	877	795

22. Ultimate parent company and parent company of larger group

The company is a wholly owned subsidiary of Cochlear Limited, incorporated in Australia. Cochlear Limited is the parent undertaking of both the smallest and largest group of undertakings of which the company is a member and prepares consolidated financial statements to 30 June annually. The consolidated financial statements of Cochlear Limited are available to the public and may be obtained from 1 University Avenue, Macquarie University, NSW 2109, Australia.

Cochlear Limited is listed on the Australian stock exchange, and as such there is no ultimate controlling party.