Registration number: 05164784

LIVANOVA UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

LIVANOVA UK LIMITED

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LIVANOVA UK LIMITED

COMPANY INFORMATION

Directors	S Bolton P Wagnon R Checchi
Registered office	1370 Montpellier Court Gloucester Business Park Gloucester GL3 4AH
Auditors	Hazlewoods LLP *Staverton Court* Staverton Cheltenham GL51 0UX

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their strategic report for the year ended 31 December 2021.

Principal activity
The principal activity of the company is that of the development of medical technologies for cardiac surgery and innovative therapies, heart failure and neuromodulation.

LivaNova UK Limited is a UK market leader in medical technologies for Cardiac Surgery. The wider Group's breakthrough, proprietary technology has the potential to create a new industry benchmark in Vascular Intervention. A unique technical expertise in advanced and innovative Haemodynamics and Haemoelectronics is applied to meet patient needs and to advance cardiovascular medicine.

Fair review of the business
As of the beginning of 2021 our business consisted of 2 divisions; Cardiac Surgery (Cardiopulmonary (CP) products for open heart surgery and Heart Valve (HV) repair or replacement products) and Neuromodulation (NM) (implantable devices to treat drug-resistant epilepsy, depression, heart failure and other chronic disorders). As of 1 June 2021 the company completed the sale of its HV business to Gyrus Capital.

During 2021, the UK started a recovery from the impact of the COVID-19 global pandemic, although the resumption of non-essential elective surgery has not been immediate and the company's performance during the first quarter of 2021 was heavily impacted. The recovery started in the remainder of 2021 although in some business lines the company remains below pre-pandemic activity levels.

As a direct result, CP sales increased by 11%. Sales of Heart Lung Machines (HLM) were similar to prior year, 13 units (2020 - 14 units), and this was closely aligned to forecast and not highly impacted by the pandemic. Sales of Oxygenators were up 20% year-on-year while Auto Transfusion sales increased by 13%. The hardware sales were lower at 13 units (2020 - 18 units), although this was again expected and higher than forecast.

HV sales for the year were down 46% on the prior year due to the sale at the end of May 2021.

NM sales recovered to return a 37% increase on prior year. The 2020 results were severely impacted by the pandemic and the consequent restrictions on elective surgeries.

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

	Unit	2021	2020
Turnover	£	26,403,022	23,071,172
Gross profit	£	9,619,351	8,741,519
Profit before taxation	£	2,277,658	2,153,678
Total equity	£	6,458,071	8,965,735
Net current assets	£	6,118,558	4,100,946

Principal risks and uncertainties
The execution of the company's strategy is subject to a number of risks. The process of identifying and managing risk is overseen by the directors and management.

Competition
The company is a distributor of medical devices in a highly competitive industry. The company is reliant on the group continuing to develop competitive product lines which can be sold to the UK market. The group are continuously developing new product lines which target prevelant medical procedures and therefore the directors consider this risk to be appropriately mitigated.

The wider group has considerable financial resources together with long-term contracts with a number of customers and suppliers across different geographic areas and business sectors. As a consequence, the directors believe that the group is well placed to manage its business risks successfully despite the current uncertain economic outlook and the austerity packages being applied specifically to the NHS and other Government departments which we fully expect to result in reduced average selling prices across all divisions and increased payment times. All of these factors are fully represented in our budgets for 2022.

Section 172(1) statement
In accordance with section 172 of the Companies Act, the Board considers the group's key stakeholders and takes their views and interests into account when making decisions. Clear communication and proactive engagement to understand the issues most relevant to our stakeholders is fundamental to the directors' responsibility to act in good faith to promote the success of the company for the benefit of the shareholders. The Board builds trust with those most important to the group, and in doing so, ensures the Board is fully aware of the potential impacts of the decisions it makes for its stakeholders, the environment, and the communities in which the group operates, in both the short and the long term.

a) The likely consequences of any decision in the long term
The Board believes governance of LivaNova is best achieved by delegation of its authority of executive management of the group to the CEO, subject to defined limits and monitoring. The Board routinely monitors the delegation of authority, ensuring that it is regularly updated, while retaining ultimate responsibility. At every Board meeting, the directors review the company's progress against strategic priorities, and this collaborative approach helps to promote the long-term success of LivaNova and its stakeholders.

b) The interests of the company's employees
The company's workforce is crucial to its mission to provide hope to our patients and their families through delivering life-changing medical innovation for the head and the heart. Our employees help us maintain our strong reputation for high standards of business conduct and are fundamental in delivering our purpose. We in turn want employees to be proud of working at LivaNova. This can only be done if we listen to their concerns and take appropriate action.

The Board directly engages with employees by way of discussions during senior leadership forums, and presentations during regular and ad hoc Board meetings.

c) The need to foster the company's business relationships with suppliers, customers and others
Patients
Marketing clips, news stories, patient interviews, interactions and surveys are all ways by which the Board receive feedback from our patients. This feedback, in turn, informs the way in which the Board considers and opines on our product pipeline and our clinical trials, among others, so that we can bring innovative products to patients.

Physicians and healthcare professionals
Physicians and healthcare professionals are engaged by way of scientific dialogue to increase understanding of disease management and patient experience and ensure we provide high quality, balanced information about our products and services.

Suppliers
The Board receives updates from the management team and audit committee on relationships with our key suppliers and how these relationships are evolving as we respond to different market conditions and environments. The ESG (environment, social and governance) take force rolled out a third-party Code of Conduct which aligns with the LivaNova code of conduct. We believe that our business can only succeed where the rights of all workers involved in the value chain or our business are protected and respected.

Government and regulators
The medical device industry is heavily regulated and the group are overseen by many different authorities in various jurisdictions. The Board relies on the management team to effectively manage its relationship with governments and regulators and raise issues of importance.

Investors and shareholders
The board are committed to using corporate governance best practices and continuously consider improvements. In keeping with our standard practice, the Board is actively involved in the review of quarterly and full year results and corresponding press releases. The AGM is perhaps the most important engagement mechanism, allowing the directors to present an annual report and shareholders the opportunity to exercise their voting rights. On a more personal level, the Board meets with investors and responds to shareholders throughout the year to understand the issues and factors which are significant for these stakeholders.

LIVANOVA UK LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

d) The impact of the company's operations on the community and the environment
The wider group are committed to conducting business in a manner that is respectful of the environment and our natural resources. Throughout operations the wider group utilises environmental management systems and safety programmes to protect the environment and our employees. The wider group also operates independently to minimise the environmental impact of the business and products by using resources and energy efficiently. Steps taken by the wider group include, implementing a new vehicle policy which removed certain vehicles due to their impact on the environment, replacing fluorescent lighting in manufacturing facilities and moved from oil to methane in production.

The Company endeavors to impact positively on the community in which it operates, and our Third Party Code of Ethics and Business Conduct promotes and advocates on behalf of the principles of human rights. We respect the human rights of all our employees and those in our value chain, demanding a safe, clean working environment; freedom from discrimination and coercion; a prohibition on the use of child or forced labor; and respect for the rights of privacy and protection of access to personal information.

e) The desirability of the company maintaining a reputation for high standards of business conduct
The Board strive for the group to behave responsibly and ensure that management operate the business in a responsible manner, operating within the high standards of business conduct and good governance expected for the business.

f) The need to act fairly between members of the company
The Board behave responsibly toward the stakeholders and treat them fairly and equally. As discussed above, the group act in the best interests of all stakeholders.

Approved by the Board on 31/8/2022 and signed on its behalf by:

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S Bolton
Director

LIVANOVA UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their report and the financial statements for the year ended 31 December 2021.

Directors of the company
The directors who held office during the year were as follows:

S Bolton

S Torelli (resigned 22 July 2021)

P Wagnon

R Checchi (appointed 22 July 2021)

Financial instruments

Objectives and policies

The Company's financial instruments, other than derivatives, comprise cash and liquid resources, and various other items such as trade debtors, trade creditors, etc that arise directly from its operations. The main purpose of these financial instruments is to finance the operations of the Company. The Company is exposed to the usual credit risk and cash flow risk associated with selling on credit and manages this through credit control procedures.

Price risk, credit risk, liquidity risk and cash flow risk

Liquidity and Cash Flow Risk
Cash flow risk is the risk that inflows and outflows of cash and cash equivalents will not be sufficient to finance the day-to-day operations of the company. The directors constantly monitor cash flows to ensure that the company has sufficient liquid resources to meet its operational requirements. The company manages cash flow by careful negotiation of customers to maintain available funds and meet its liabilities as they fall due. The company is also able to borrow funds as required from the ultimate parent company, LivaNova PLC.

Price and Credit Risk
The company has implemented policies that require appropriate credit checks on potential customers before services are provided. Where debt finance is utilised, this is subject to pre-approval of the group treasury function.

Future developments
The continued impact of the COVID-19 global pandemic remains a factor on anticipated future revenues although this is now significantly reduced.

The CP business is a mature and relatively stable business and is now recovering and near pre-pandemic activity levels. Sales of HLM's are forecast to be similar to prior year with the launch of new technology to replace the S5 anticipated by the end of the year.

The NM sales targets for 2022 are expected to grow in double-digits, although with the remaining risk of COVID-19 this will be challenging.

Our goal is to maximise the value of our operations for the company and minimise any impact on customers. With average selling prices continuing to decline, our primary challenge now is revenue growth. This year the management team analysed every aspect of our technology, products and operations and developed a strategic plan that focuses on the company's areas of competitive advantage.

Research and development
LivaNova UK Limited is committed to sustaining continuous innovation through interdisciplinary research and development organisations that can help create products and processes that systematically integrate scientific and technical advances in biology, medicine, materials science, electronics, information technology and engineering. The primary goal of this approach is to introduce to the marketplace products that are increasingly effective and safe for patients, while enhancing the efficiency of health professionals.

LIVANOVA UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

Going concern
Looking forward, we see increased uncertainties regarding the COVID-19 outbreak and market volatility given mutations of the virus. As a healthcare company committed to improving the lives of patients around the world, LivaNova is closely monitoring the coronavirus (COVID-19) situation and is reacting accordingly as the issues evolve.

In the preparation of the financial statements, the ongoing impact of the global pandemic has been considered as part of the adoption of the going concern assumption. Over the year ended 31 December 2021 the profit after taxation of the company amounts to £1.9million and an equity position of £6.5million, which is considered healthy.

The company has no outstanding financial commitments and monies for investments and expenditures are drawn on an as-and-when-needed basis. A cost reduction programme was implemented during 2020 and cost savings are expected to continue in 2022 and beyond. There is some dependency on continued access to the group cash-pooling facility.

The company is part of the healthcare and pharma industry and therefore a business that is generally less impacted by the COVID-19 measures, compared to other businesses. Our oxygenator products are critical to ICU patients' lives with severe respiratory distress and can be used to combat the most severe cases. We therefore do expect our business to continue and catch up when hospitals will be able to return to normal operations. As described earlier, we recognise our interdependency with our Group company related to the cash pool/financial support (refer to the LivaNova Plc financial statements for further details), leading to some uncertainty.

Management are closely monitoring the evolution of this pandemic, focusing on how it may affect the Company in the short and long-term and has put in action an appropriate response plan that is being regularly reviewed and enhanced if required. After making enquiries and reviewing the forecasts prepared, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Disclosure of information to the auditors
Each director has taken the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Reappointment of auditors
In accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of Hazlewoods LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board on 31/8/2022 and signed on its behalf by:

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S Bolton
Director

LIVANOVA UK LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards has 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LIVANOVA UK LIMITED

Opinion

We have audited the financial statements of Livanova UK Limited (the 'company') for the year ended 31 December 2021, which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

Opinion on other matter prescribed by the Companies Act 2006

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 financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LIVANOVA UK LIMITED

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

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

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

Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

• We obtained an understanding of the legal and regulatory requirements applicable to the company financial statements or that had a fundamental effect on the operations of the company. We determined that the most significant laws and regulations included UK GAAP, UK Companies Act 2006, taxation laws, Wold Health Organisation regulations and regulations governed by medical regulatory bodies;

• We understood how the company is complying with those legal and regulatory frameworks by making inquiries of management, and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of board minutes.

• We assessed the susceptibility of the company's financial statements to material misstatement including how fraud might occur. Audit procedures performed by the engagement team included:

- identifying and assessing the design effectiveness of controls management has in place to prevent and detect fraud;
- understanding how those charged with governance considered and addressed the potential for override of controls or other inappropriate influence over the financial reporting process;
- challenging assumptions and judgements made by management in its significant accounting estimates; and
- identifying and testing journal entries, in particular any journal entries with unusual characteristics.

A further description of our responsibilities is available on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LIVANOVA UK LIMITED

Use of this report

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.

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Rebecca Copping (Senior Statutory Auditor)
For and on behalf of Hazlewoods LLP, Statutory Auditor

Staverton Court
Staverton
Cheltenham
GL51 0UX

Date: 09/09/2022

LIVANOVA UK LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £	2020 £
Turnover	3	26,403,022	23,071,172
Cost of sales		(16,783,671)	(14,329,653)
Gross profit		9,619,351	8,741,519
Administrative expenses		(8,432,173)	(7,056,219)
Other operating income	4	1,068,797	458,325
Operating profit	5	2,255,975	2,143,625
Other interest receivable and similar income	6	21,683	10,053
Profit before tax		2,277,658	2,153,678
Taxation	9	(365,783)	(466,808)
Profit for the financial year		1,911,875	1,686,870

The above results were derived from continuing operations.

The company has no other comprehensive income for the year.

LIVANOVA UK LIMITED

(REGISTRATION NUMBER: 05164784)
BALANCE SHEET AS AT 31 DECEMBER 2021

	Note	2021 £	2020 £
Fixed assets			
Intangible assets	10	-	3,779
Tangible assets	11	534,110	663,057
Investments	12	230,770	4,664,798
		764,880	5,331,634
Current assets			
Stocks	14	1,088,119	2,764,226
Debtors	15	12,261,617	9,585,445
		13,349,736	12,349,671
Creditors: Amounts falling due within one year	16	(7,231,178)	(8,248,725)
Net current assets		6,118,558	4,100,946
Total assets less current liabilities		6,883,438	9,432,580
Creditors: Amounts falling due after more than one year	16	(364,403)	(416,484)
Provisions for liabilities	17	(60,964)	(50,361)
Net assets		6,458,071	8,965,735
Capital and reserves			
Called up share capital	19	1,540,001	1,540,001
Profit and loss account	20	4,918,070	7,425,734
Total equity		6,458,071	8,965,735

Approved and authorised by the Board on 31/8/2022 and signed on its behalf by:

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S Bolton
Director

The notes on pages 14 to 24 form an integral part of these financial statements.

LIVANOVA UK LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital £	Profit and loss account £	Total £
At 1 January 2021	1,540,001	7,425,734	8,965,735
Profit for the year	-	1,911,875	1,911,875
Dividends	-	(4,419,539)	(4,419,539)
At 31 December 2021	1,540,001	4,918,070	6,458,071

	Share capital £	Profit and loss account £	Total £
At 1 January 2020	1,540,001	5,738,864	7,278,865
Profit for the year	-	1,686,870	1,686,870
At 31 December 2020	1,540,001	7,425,734	8,965,735

The notes on pages 14 to 24 form an integral part of these financial statements.

1 General information

The company is a private company limited by share capital, incorporated in England and Wales.

The address of its registered office is:
1370 Montpellier Court
Gloucester Business Park
Gloucester
GL3 4AH

2 Accounting policies

Summary of significant accounting policies and key accounting estimates
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance
These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006.

Basis of preparation
These financial statements have been prepared using the historical cost convention except for, where disclosed in these accounting policies, certain items that are shown at fair value.

The presentational currency of the financial statements is Pounds Sterling, being the functional currency of the primary economic environment in which the company operates. Monetary amounts in these financial statements are rounded to the nearest Pound.

Summary of disclosure exemptions
LivaNova UK Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its financial statements. Exemptions have been taken in relation to the preparation of a statement of cash flows and financial instruments.

Group accounts not prepared
The company has taken advantage of the exemption in section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements, on the grounds that the results of the company and its subsidiaries are consolidated in the results of LivaNova PLC. The consolidated financial statements of LivaNova PLC can be obtained from 20 Eastbourne Terrace, London, W2 6LG.

Going concern
The directors have prepared forecast information which takes into account the estimates of future performance based on changes in the economic environment. The forecasts indicate that company will continue to be profitable and cash generative. On the assumption that the company will continue to have access to and the ability to draw on the group cash pooling facility, and having received a letter of support confirming this to be the case, the directors consider it appropriate to prepare the financial statements on a going concern basis.

Critical accounting judgements and key sources of estimation uncertainty
In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements
The company distributes devices for cardiac surgery and neuromodulation and is subject to changing demands and technological developments. As a result it is necessary to consider the recoverability of the cost of stocks and required provision. The carrying amount of the provision is £26,759 (2020 - £54,902).

Key sources of estimation uncertainty
In the performance of reviews to determine whether there has been an impairment in the carrying value of investments, the directors consider estimates of future profitability of the underlying businesses and also rates of predicted growth and discount factors, a change in which could have a material effect on the future results of the company.

Revenue recognition
Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the company's activities. Turnover is shown net of sales/value added tax, returns, rebates and discounts.

The company recognises revenue when the amount of revenue can be reliably measured, it is probable that the future economic benefits will flow to the entity and specific criteria have been met for each of the company's activities. Revenue related to consignment stock is recognised when the goods are implanted.

Revenue from maintenance contracts is deferred over the term of the agreement.

Foreign currency transactions and balances
Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Tax
The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit and loss account, except that a charge attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Tangible assets
Tangible assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation
Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	***Depreciation method and rate***
Plant and machinery	10-20% per annum

Business combinations
Business combinations are accounted for using the purchase method. The consideration for each acquisition is measured at the aggregate of the fair values at acquisition date of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquired, plus any costs directly attributable to the business combination. When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the group includes the estimated amount of that adjustment in the cost of the combination at the acquiisition date if the adjustment is probable and can be measured reliably.

Intangible assets
Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each reporting period date.

Trademarks, licences (including software) and customer-related intangible assets have a finite useful life and are carried at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation
Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

Asset class	Amortisation method and rate
Goodwill	10% per annum
Software and licences	20% per annum
Cyberonics customers	20% per annum

Investments
Investments in equity shares which are not publicly traded and where fair value cannot be measured reliably are measured at cost less impairment.

At each balance sheet date, the company tests whether there are any indicators of assets being subject to impairment. If any such indications exist, the recoverable amount of the asseet is determined. If this proves to be impossible, the recoverable amount of the cash-generating unit to which the asset belongs is identified. An asset is subject to impairment if its carrying amount exceeds its recoverable amount; the recoverable amount is the higher of an asset's fair value less costs to sell and value in use. An impairment loss is directly expensed in the profit and loss account.

Interest income on debt securities, where applicable, is recognised in income using the effective interest method. Dividends on equity securities are recognised in income when receivable.

Trade debtors
Trade debtors are amounts due from customers for goods sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. All trade debtors are repayable within one year and hence are included at the undiscounted cost of cash expected to be received. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the debtors.

Stocks
Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the first-in, first-out (FIFO) method.

The cost of finished goods comprises direct materials. At each reporting date, stocks are assessed for impairment. If stocks are impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

Trade creditors
Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and all are repayable within one year and hence are included at the undiscounted amount of cash expected to be paid.

Provisions
Provisions are recognised when the company has an obligation at the reporting date as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Leases
Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Share capital
Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Dividends
Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the reporting period in which the dividends are declared.

Defined contribution pension obligation
A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

Share based payments
We grant share-based incentive awards to directors, officers, key employees and consultants during each fiscal year. We measure the cost of employee services received in exchange for an award of equity instruments based on the grant date fair market value of the award. The cost of equity-settled transactions is recognised in employee benefits expense, together with a corresponding increase in Retained earnings over the period in which the service and the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions 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. We issue new shares upon stock option exercises, otherwise issuance of stock for vesting of restricted stock, restricted stock units or exercises of stock appreciation rights are issued from treasury shares. We have the right to elect to pay the cash value of vested restricted stock units in lieu of the issuance of new shares. The social security contributions on employee share-based payment awards are accrued over the service period.

Financial instruments

Classification
Financial instruments are classified and accounted for according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Where shares are issued, any component that creates a financial liability of the company is presented as a liability on the balance sheet. The corresponding dividends relating to the liability component are charged as interest expenses in the profit and loss account.

Recognition and measurement
All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Impairment
Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

A non financial asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

The recoverable amount of goodwill is derived from measurement of the present value of the future cash flows of the cash-generating units ('CGUs') of which the goodwill is a part. Any impairment loss in respect of a CGU is allocated first to the goodwill attached to that CGU, and then to other assets within that CGU on a pro-rata basis.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. Where a reversal of impairment occurs in respect of a CGU, the reversal is applied first to the assets (other than goodwill) of the CGU on a pro-rata basis and then to any goodwill allocated to that CGU.

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

3 Revenue

The analysis of the company's revenue for the year from continuing operations is as follows:

	2021	2020
	£	£
Sale of goods	24,147,883	20,795,018
Rendering of services	2,255,139	2,276,154
	26,403,022	23,071,172

The analysis of the company's turnover for the year by market is as follows:

	2021	2020
	£	£
UK	24,356,661	20,945,921
Rest of world	2,046,361	2,125,251
	26,403,022	23,071,172

4 Other operating income

The analysis of the company's other operating income for the year is as follows:

	2021 £	2020 £
Profit on disposal of assets	433,646	-
Rental income	148,833	148,833
Recharges to group companies	465,621	309,492
Service fees	20,697	-
	1,068,797	458,325

During the year, the LivaNova group divested of the heart valve division. As part of this divestment, the company sold all of its assets and liabilities associated with the heart valve division to the acquiring entity. A profit on the disposal of £433,646 was generated.

5 Operating profit

Arrived at after charging/(crediting):

	2021 £	2020 £
Depreciation expense	210,156	258,844
Amortisation expense	3,779	245,534
Foreign exchange losses/(gains)	13,162	(28,051)
Operating lease expense - property	150,163	151,711
Operating lease expense - plant and machinery	26,481	57,784
Operating lease expense - other	3,460	-
Loss on disposal of property, plant and equipment	115,186	10,060

6 Other interest receivable and similar income

	2021 £	2020 £
Interest income on financial assets	21,683	10,053

7 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2021 £	2020 £
Wages and salaries	3,657,081	3,243,595
Social security costs	436,368	449,544
Pension costs, defined contribution scheme	301,553	351,943
Share-based payment expenses	189,653	246,547
	4,584,655	4,291,629

The emoluments of the directors are paid by fellow group companies, which make no recharge to the company as it is not possible to make an accurate apportionment.

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2021 No.	2020 No.
Sales, marketing and distribution	46	51

8 Auditors' remuneration

	2021 £	2020 £
Audit of the financial statements	17,850	17,000
Other fees to auditors		
All other non-audit services	2,100	2,000

9 Taxation

Tax charged/(credited) in the profit and loss account

	2021 £	2020 £
Current taxation		
UK corporation tax	399,842	483,878
UK corporation tax adjustment to prior periods	(34,059)	(17,070)
	365,783	466,808

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2020 - higher than the standard rate of corporation tax in the UK) of 19% (2020 - 19%).

The differences are reconciled below:

	2021 £	2020 £
Profit before tax	2,277,658	2,153,678
Corporation tax at standard rate	432,755	409,199
Deferred tax asset not recognised	(25,840)	74,679
Decrease in UK and foreign current tax from adjustment for prior periods	(34,059)	(17,070)
Expenses non-deductible	72,773	-
Other deductions	(79,846)	-
Total tax charge	365,783	466,808

A UK corporation tax rate of 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the company's future current tax charge accordingly. The deferred tax liability at 31 December 2021 has been calculated at 25% (2020 - 19%).

10 Intangible assets

	Goodwill £	Cyberonics customers £	Software and licences £	Total £
Cost				
At 1 January 2021	229,000	1,078,408	485,918	1,793,326
Disposals	(229,000)	-	(24,291)	(253,291)
At 31 December 2021	-	1,078,408	461,627	1,540,035
Amortisation				
At 1 January 2021	229,000	1,078,408	482,139	1,789,547
Amortisation charge	-	-	3,779	3,779
Amortisation eliminated on disposals	(229,000)	-	(24,291)	(253,291)
At 31 December 2021	-	1,078,408	461,627	1,540,035
Carrying amount				
At 31 December 2021	-	-	-	-
At 31 December 2020	-	-	3,779	3,779

11 Tangible assets

	Plant and machinery £
Cost	
At 1 January 2021	3,447,057
Additions	200,214
Disposals	(459,203)
At 31 December 2021	3,188,068
Depreciation	
At 1 January 2021	2,784,000
Charge for the year	210,156
Eliminated on disposal	(340,198)
At 31 December 2021	2,653,958
Carrying amount	
At 31 December 2021	534,110
At 31 December 2020	663,057

12 Investments

	2021	2020
	£	£
Investments	230,770	4,664,798

	£
Cost	
At 1 January 2021	16,740,816
Disposals	(16,510,046)
At 31 December 2021	230,770
Provision	
At 1 January 2021	12,076,018
Eliminated on disposals	(12,076,018)
At 31 December 2021	-
Carrying amount	
At 31 December 2021	230,770
At 31 December 2020	4,664,798

Details of undertakings

Details of the investments (including principal place of business of unincorporated entities) in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Registered office	Holding	Proportion of voting rights and shares held 2021	2020
Subsidiary undertakings				
LivaNova Chile SpA	Miraflores 222, 28th Floor, Santiago, Chile	Ordinary	100%	100%

Subsidiary undertakings

LivaNova Chile SpA

The principal activity of LivaNova Chile SpA is the sale of medical equipment.

13 Disposal of associated undertaking

On 1 September 2021, the company disposed of its interest in LIVN UK Holdco Limited. The gain on disposal of LIVN UK Holdco Limited was £12,594. LIVN UK Holdco Limited contributed £Nil to the company profit/(loss).

14 Stocks

	2021	2020
	£	£
Finished goods and goods for resale	1,088,119	2,764,226

15 Debtors

	2021 £	2020 £
Trade debtors	3,842,160	2,621,458
Amounts owed by group undertakings	8,235,481	6,800,239
Other debtors	116,495	-
Prepayments	67,481	163,748
	12,261,617	9,585,445

The company operates its bank accounts within a group cash pooling facility and are included within amounts owed by group undertakings falling due within one year. Amounts owed by group undertakings are unsecured, interest free, have no fixed repayment date and are repayable on demand.

16 Creditors

	2021 £	2020 £
Due within one year		
Trade creditors	22,566	139,080
Amounts due to group undertakings	3,341,537	3,875,709
Social security and other taxes	992,440	2,255,469
Other creditors	472,773	22,659
Accrued expenses	1,052,332	744,529
Deferred income	1,349,530	1,211,279
	7,231,178	8,248,725
Due after one year		
Amounts owed to group undertakings	364,403	416,484

Amounts due to group undertakings falling due in more than one year of £364,403 (2020 - £416,484) comprise amounts recharged from group entities in respect of share schemes. These amounts will be settled once the shares have been exercised.

17 Provisions

	Dilapidations provision £
At 1 January 2021	50,361
Increase in existing provisions	10,603
At 31 December 2021	60,964

The provision for dilapidations is recognised based on the directors' best estimate of the likely committed cash flow.

18 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £301,553 (2020 - £351,943).

Contributions totalling £nil (2020 - £nil) were payable to the scheme at the end of the year and are included in creditors.

19 Share capital

Allotted, called up and fully paid shares

	2021		2020	
	No.	£	No.	£
Ordinary shares of £1 each	1,540,001	1,540,001	1,540,001	1,540,001

20 Reserves

Called up share capital
This represents the nominal value of the issued share capital

Profit and loss account
Retained earnings represent the accumulated profits, losses and distributions of the company.

21 Obligations under leases and hire purchase contracts

Operating leases
The total of future minimum lease payments is as follows:

	2021 £	2020 £
Not later than one year	198,334	238,035
Later than one year and not later than five years	714,929	800,623
Later than five years	-	210,293
	913,263	1,248,951

The amount of non-cancellable operating lease payments recognised as an expense during the year was £180,104 (2020 - £209,495).

22 Dividends

	2021 £	2020 £
Dividends paid	4,419,539	-

23 Parent and ultimate parent undertaking

The company's immediate parent is LivaNova Nederland NV, incorporated in the Netherlands.

The ultimate parent is LivaNova PLC, incorporated in the United Kingdom.

This is the smallest and largest group to consolidate these financial statements. Copies of the LivaNova PLC consolidated financial statements can be obtained from 20 Eastbourne Terrace, London, W2 6LG.