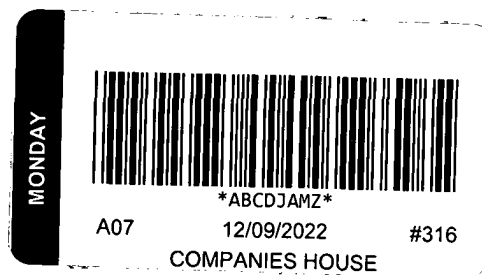


Biocompatibles UK Limited

Annual Report and Financial Statements for the year ended 31 December 2021

Registered Number 04305025



Biocompatibles UK Limited

**Annual report
for the year ended 31 December 2021**

Contents	Page
Strategic report.....	2
Directors' report.....	5
Directors' responsibilities statement.....	9
Independent auditor's report to the members of Biocompatibles UK Limited.....	10
Income statement.....	13
Statement of comprehensive income.....	13
Statement of financial position.....	14
Statement of changes in equity.....	15
Notes to the financial statements.....	16

Biocompatibles UK Limited

Strategic report

Principal activities and review of the business

Biocompatibles UK Limited (the 'Company') is a member of the Boston Scientific Corporation Group (the 'BSC Group' or the 'Group') comprising Boston Scientific Corporation ('BSC') and its subsidiary undertakings.

The Company is principally engaged in research and development ('R&D') and manufacture of products in the field of Interventional Medicine, including TheraSphere® and Polidocanol Endovenous Microfoam ('PEM'). The manufacture of Embolics ceased in October 2021 having been successfully transferred to a BSC Group entity.

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

	2021 £'000	2020 £'000	Change %
Revenue	139,531	136,706	2 %
Cost of sales	(52,551)	(46,019)	14 %
Gross Profit	86,980	90,687	(4)%
<i>Gross Profit %</i>	62%	66%	
Selling and marketing expenses	(3,708)	(25,146)	(85)%
Research and development costs	(23,507)	(24,388)	(4)%
Administrative expenses	(22,172)	(20,485)	8 %
Other operating expenses	(1,565)	(7,369)	(79)%
Other operating income	13	12,638	(100)%
Operating profit	36,041	25,937	39 %

Revenue for the year ended 31 December 2021 was £139,531k against the previous year of £136,706k representing a small increase for the year. In 2020 the Company generated significant revenue through sales to end customers which created a higher gross margin compared to 2021 where the Company only generated revenue through intercompany sales on a group transfer pricing model.

Selling and Marketing expenses during the year were £3,708k against the previous year of £25,146k, a fall of 85%. This is attributed to the change to the Boston sales distribution network in 2020, although the Company continues to incur distribution costs for TheraSphere®.

Research and Development costs during the year ended 31 December 2021 were £23,507k, which was lower than the previous year of £24,388k. The Company has continued to invest in clinical trial programmes. The aim of these trials is to expand the use of the TheraSphere® product and is a key element in the delivery of the next phase of growth. Although already approved for use in the US under a Humanitarian Device Exemption (HDE), the Company continues to progress two Phase 3 trials of TheraSphere®, EPOCH and STOP-HCC. On 18 March 2021 BSC Group announced that TheraSphere® had received FDA approval for the treatment of hepatocellular carcinoma ('HCC'). The Company also continues to investigate the possibility of significant Company sponsored registration studies in both liver metastasis from colo-rectal cancer and hepatocellular carcinoma ('HCC') as well as other potential registration studies.

Other operating expense was driven by £1,565k of foreign exchange losses in the current year and asset impairments of £7,248k in the prior year. There was no significant other operating income in 2021, in the prior year other operating income comprised primarily the £12,262k profit on the disposal of sales activities.

The Operating profit of the Company was £36,041k against a profit for the previous year of £25,937k.

A tax charge of £22,810k (2020: £3,660k) together with net financial expense of £202k (2020: £4,589k) led to a profit after tax of £13,029k (2020: £17,688k profit).

Biocompatibles UK Limited

Strategic report (continued)

Section 172 (1) Statement

Section 172 (1) of the Companies Act 2006 provides that a director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to the following six factors:

- the likely consequences of any decision in the long term,
- the interests of the company's employees,
- the need to foster the company's business relationships with suppliers, customers and others,
- the impact of the company's operations on the community and the environment,
- the desirability of the company maintaining a reputation for high standards of business conduct, and
- the need to act fairly as between members of the company.

The directors, both individually and together, are aware of this duty and consider that they have acted in accordance of s172 of the Companies Act 2006.

Matters below summarise how the Directors fulfilled their duty.

Who?	Why?	How?	What?	Outcomes and Actions
Our People	Employee engagement is a key factor in the success of the Company	The Company regularly engages with employees in local site townhall meetings to share and discuss current important information and encourage employee feedback This engagement also occurs at a higher BSC Group level with quarterly business updates and regional meetings	Employee question and answer sessions are held at the end of townhall meeting to address employee concerns BSC also utilises online anonymous surveys to gather more sensitive feedback Management engaged with employees on the best approach to take with employee return to work post COVID	Management use the information received from these sessions and surveys to ensure they address employee concerns Where possible employees have been offered flexible home working arrangements to mitigate future COVID impacts
Doctors and Patients Doctors are the primary customers of the Company in the treatment of their patients	The principal purpose of the Company is to provide Doctors and their patients with the best possible outcome in the treatment of cancer	The BSC Group has continued to integrate the R&D activities of the Company to ensure better use of resources to optimise results. The BSC Group operates a centralised R&D function to achieve this.	The decision was taken to transfer management of local Company R&D activities to the Boston Group R&D functions and streamline activities and resources	In 2021 management of all R&D activities have been transferred to Boston Group functions although costs continue to be incurred in the Company as ongoing studies are completed
Suppliers The manufacture of quality products is reliant upon a strong relationship with the suppliers of raw materials	The medical device industry is regulated to ensure products are manufactured to a required standard. This requires that purchased raw materials are of an acceptable standard for use in the manufacturing process	Vendors who supply raw materials for the manufacturing process are subject to a quality agreement with the Company and an audit of their supply chain by the Bio UK Quality function	The Bio UK Quality function maintains a schedule of which vendors require a regular audit and the timing of when the audit is to be performed Due to the complex nature of the products manufactured, single source is a risk to the supply chain	Potential quality issues resulting from sub-standard materials are captured and addressed before impacting product The Company has entered into a long-term supply agreement for the manufacture of a key product to guarantee future supplies
Shareholders The Company is a 100% subsidiary of BSC	The acquisition by BSC of the BTG Group comprising BTG Limited and its subsidiary undertakings on 19 August 2019 requires the Company to maximise profitability within the BSC Group	BSC set out a plan to transfer all third-party sales activities of the Company to local BSC entities. The aim is to provide greater sales reach in each individual country by leveraging BSC resources The plan includes the transfer of manufacture sites to the BSC group to maximise the benefit of larger operations	In 2020 the distribution of Embolics, Varithena and TheraSphere was transferred from 3PLs used by the BTG Group to the existing BSC distribution network. In 2021 the manufacture of Embolics was transferred from the BTG Group to an existing BSC manufacturing entity	Cost reduction by the removal of the existing Company direct sales resources and a greater reach to more customers by using the existing BSC sales and distribution resources Transfer of Embolics manufacture makes use of the larger BSC operational structure leading to more efficient manufacturing

Biocompatibles UK Limited

Strategic report (continued)

Principal risks and uncertainties

The Company's activities are primarily related to research and development, and the commercialisation of interventional medicine products. Following the successful integration activities by BSC the Company has made a profit for the year ended 31 December 2021 although still has net current liabilities. The Company is reliant on the support of its ultimate parent company, BSC, as discussed in the Directors' Report and with this support the Directors believe that the Company is well placed to further develop and commercialise the Beads and TheraSphere® technology to realise future profits.

War in Ukraine

As a result of the ongoing conflict between Russia and Ukraine the Company has reviewed its operations to assess the potential impact on the business. As a result of the review the Company has concluded that the conflict has no material impact on the operation of the business.

On behalf of the Board

DocuSigned by:



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Jonathan Monson
Director

Registered Office
Chapman House
Farnham Business Park
Weydon Lane
Farnham, GU9 8QL

7 September 2022

Registered Number 04305025

Biocompatibles UK Limited

Directors' report

The Directors present their report together with the financial statements and the independent auditor's report for the year ended 31 December 2021. A summary of the financial performance and position of the Company is discussed in the strategic review on page 2.

Directors and their interests

The Directors who held office during the year and up to the date of this report are given below:

Jonathan Monson
Vance Brown

Directors' remuneration is disclosed in note 7. None of the directors had an interest in any contract of significance to which the Company or any of its subsidiaries was party during the year.

Dividend

The Directors do not recommend the payment of a dividend for the year (2020: £nil).

Political contributions

The Company neither made political donations nor incurred any political expenditure during the year (2020: £nil).

Respecting diversity

Our employees come from a variety of cultures, experiences and backgrounds. They are valued for their varied perspectives and judged solely by their abilities, behaviour, performance and potential. As an Equal Opportunity Employer, we consider employees and applicants for employment without regard to race, colour, religion, sex, national origin, or protected status, and we will not discriminate on the basis of disability.

Going concern

These financial statements have been prepared on the going concern basis which the Directors believe to be appropriate despite the Company's net current liabilities position. Although profitable in the current year, the Company is dependent for its working capital on funds provided by its fellow subsidiary undertakings. BSC has provided the Company with an undertaking that it, or another BSC Group undertaking, will provide financial support to assist the Company in meeting its liabilities as and when they fall due, to the extent that money is not otherwise available to meet such liabilities, for a period of 12 months from the date of approval of these financial statements. This should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment.

The Directors have considered the position of BSC through making enquiries and a review of publicly available financial information for the BSC Group including the Group's trading results and cash flows, and its cash on hand, indebtedness and related debt maturity, and available undrawn credit facilities.

Taking into account the position of the BSC Group and the undertaking referred to above, the Directors believe it remains appropriate to prepare the financial statements on a going concern basis.

In reaching their opinion, the Directors have taken into consideration the impact of COVID-19 on the Company.

Biocompatibles UK Limited

Directors' report (continued)

Disposal of sales activity

On 6 April 2020, as part of the transition in the strategy of the Company away from direct distribution to focus on manufacturing and R&D and to sell commercial product through existing BSC Group distribution channels, the Company sold its sales activity, comprising customer contracts and inventory, as set out in the following table.

Territory	Purchaser	Consideration £'000
Italy	Boston Scientific S.p.A.	3,030
Spain	Boston Scientific Ibérica, S.A.	2,852
France*	Boston Scientific S.A.S.	1,869
UK	Boston Scientific Limited	756
All countries outside the United States, except for Italy, Spain, France and UK.	Boston Scientific International B.V.	4,199

* Transfer of customer contracts only.

The effective date of the transfers was 6 April 2020 with the exception of the transfer of TheraSphere® sales activity, which was deferred until 16 November 2020.

The Company recognised a profit on disposal of the sales activity of £12,262k in 2020.

Streamlined energy and carbon reporting

Greenhouse gas emissions for the Company are set out in the table below.

	2021	2020
Energy consumption used to calculate emissions	4,955 mWh	4,126 mWh
Emissions from combustion of Gas – Scope 1	468 tonnes CO ₂ e	329 tonnes CO ₂ e
Emissions from purchased electricity - Scope 2 location-based	509 tonnes CO ₂ e	541 tonnes CO ₂ e
Business travel in employee-owned vehicles where the firm is responsible for purchasing the fuel – Scope 3	1 tonnes CO ₂ e	3 tonnes CO ₂ e
Total gross CO ₂ e based on above	978 tonnes CO ₂ e	873 tonnes CO ₂ e
Intensity ratio – tonnes CO ₂ e/revenue (£m)	7.0	6.4

The Company has reported on all emission sources required under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

The emissions reporting boundary is all UK locations either owned or under operational control.

Emissions are calculated by taking the amount of activities conducted (such as electricity purchased) multiplied by its appropriate emissions factor (eg grams equivalent CO₂ per kilowatt-hour (kWh) of electricity used) to provide a representative value for the carbon dioxide emissions associated with each activity. When converting data to carbon emission, the Company used the UK Government conversion factors set out in 'Greenhouse gas reporting: conversion factors 2021' (Department for Business, Energy & Industrial Strategy).

Transition of research and development activities and subletting of Camberley site

Following the Company's announcement in 2020, it completed the relocation of its research and development activities in 2021. The office closed at the end of 2021 with all remaining staff now working from home and the lease is currently being marketed.

The Leasehold property Right of Use asset was fully written off at the time of the announcement in 2020. The Company continues to recognise the associated lease liability and a provision for dilapidations. Also at the time of the announcement in 2020, the Company impaired affected Property, plant and equipment and provided for severance costs.

Biocompatibles UK Limited

Directors' report (continued)

Transfer of Embolic Beads manufacture

As a result of the continued integration of the Company into the BSC Group in 2021, the manufacture of Embolic Beads has undergone a process of transfer from the Company site in Farnham, Surrey to a BSC Group manufacturing site in Ireland, with manufacture in Farnham ceasing during 2021. The Company impaired affected Property, plant and equipment and provided for severance costs in 2020.

COVID-19

In December 2019, the novel strain of coronavirus (SARS-Cov-2), and its disease commonly known as COVID-19, was reported in China and has since widely impacted the global public health and economic environment. In March 2020, the World Health Organization (WHO) declared COVID-19, including all additional variations and strains thereof, a global pandemic (COVID-19 pandemic).

As the pandemic spread worldwide and with COVID-19 cases confirmed in all major geographies, many elective and semi-emergent procedures, including those using the Company's products were postponed, enabling hospital staff to focus critical resources on caring for COVID-19 patients. While the majority of procedures using the Company's products are deferrable, most of the conditions that the Company's products are used to treat are generally fairly acute and cannot be deferred for extended periods.

Because the severity, magnitude, and duration of the COVID-19 pandemic and its economic consequences continue to be uncertain, the pandemic's impact on the BSC Group's operations and financial performance, as well as its impact on the Group's ability to execute its business strategies and initiatives successfully, remains uncertain and difficult to predict. Procedural delays from the further resurgence of COVID-19 infections and the emergence of new, more contagious variant strains of COVID-19, as well as staffing shortages within healthcare facilities, have and may continue to negatively impact demand for BSC Group products, net sales, gross profit margin and operating expenses as a percentage of net sales. In addition, conditions created by the COVID-19 pandemic, the economic recovery that has followed in many areas and other macroeconomic factors have led to a challenging labour market in which the BSC Group competes, which affects its ability to retain and attract new talent as well as put inflationary pressure on certain operational costs due to wage increases. Further, the BSC Group faces and expects to continue to face, increases in the cost and limited availability of raw materials, components, and other inputs necessary to manufacture and distribute its products due to constraints within the global supply chain, as well as increases in the cost and time to distribute its products.

The BSC Group continues to focus its efforts on the health and safety of patients, healthcare providers and employees, while executing its mission of transforming lives through innovative medical solutions to improve the health of patients around the world. Since the onset of the COVID-19 pandemic, BSC Group's management team has focused on protecting employees and customers, optimizing operations and securing the supply chain. It has successfully implemented business continuity plans including establishing a medical advisory group for employees and accelerating capabilities to provide remote physician support. In the first quarter of 2022, BSC Group implemented return-to-office protocols across many of its facilities as COVID-19 infection rates trend lower and vaccination rates are higher, relative to earlier in the pandemic. The BSC Group will continue to be guided by its values and mission and monitor the return-to-office strategy based on science and data for the health and safety of employees. While it expects the COVID-19 pandemic and related impacts will continue to negatively impact performance to an extent, particularly in China with the recent resurgence and associated public health measures implemented, as well as supply chain constraints, the BSC Group continue to believe its long-term fundamentals remain strong and it will manage through these challenges with strategic focus and the winning spirit of the BSC Group's global team.

Biocompatibles UK Limited

Directors' report (continued)

Disclosure of information to Auditor

The Directors who held office at the date of approval of this 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 they ought to have taken as a director to make themselves 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 reappointed and EY will therefore continue in office.

On behalf of the Board

DocuSigned by:



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Jonathan Monson
Director

Registered Office
Chapman House
Farnham Business Park
Weydon Lane, Farnham
GU9 8QL

7 September 2022

Registered Number 04305025

Biocompatibles UK Limited

Directors' responsibilities statement

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 the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 for the Company's financial statements and then apply them consistently;
- make judgements and accounting 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;
- 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 to 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 Biocompatibles UK Limited

Opinion

We have audited the financial statements of Biocompatibles UK Limited for the year ended 31 December 2021 which comprise the Income statement, the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes 1 to 24, 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 FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view 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 directors' 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 twelve months from when the financial statements are 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. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report to the members of Biocompatibles UK Limited (continued)

Opinions on other matters 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 the 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.

Matters on which we are required to report by exception

In the light of the 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 or directors' report.

We have nothing to report in respect of the following matters in relation to which 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 directors' responsibilities statement set out on page 9, 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Independent auditor's report to the members of Biocompatibles UK Limited (continued)

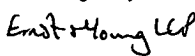
- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 101 and the Companies Act 2006) and the relevant direct and indirect tax legislation in the United Kingdom. In addition, the Company has to comply with laws and regulations relating to its operations, including those relating to data protection, employees, health and safety, and guidance issued by the Medicines and Healthcare products Regulatory Agency (MHRA).
- We understood how the Company is complying with those frameworks by making enquiries of management to understand how the Company maintains and communicates its policies and procedures in these areas, and corroborated this by reviewing supporting documentation. We also reviewed correspondence with relevant authorities.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override and by assuming revenue to be a fraud risk. We incorporated data analytics into our testing of manual journals, including segregation of duties. We tested specific transactions backing to source documentation or independent confirmation, ensuring appropriate authorisation of the transaction.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our 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.

DocuSigned by:


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Neil Cullum (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

7 September 2022

Biocompatibles UK Limited

Income statement for the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Revenue	4	139,531	136,706
Cost of sales		(52,551)	(46,019)
Gross profit		86,980	90,687
Selling and marketing expenses		(3,708)	(25,146)
Research and development costs		(23,507)	(24,388)
Administrative expenses		(22,172)	(20,485)
Other operating expenses		(1,565)	(7,369)
Other operating income		13	12,638
Operating profit	5	36,041	25,937
Financial expense	8	(202)	(4,589)
Profit before tax		35,839	21,348
Tax charge	9	(22,810)	(3,660)
Profit for the year		13,029	17,688

All the activity arose from continuing operations.

Statement of comprehensive income for the year ended 31 December 2021

The Company has no recognised income and expense other than those included in the results above, all of which are attributable to equity shareholders.


The notes on pages 16 to 32 form part of these financial statements.

Biocompatibles UK Limited

Statement of financial position as at 31 December 2021

	Notes	2021 £'000	2020 £'000
Assets			
Non-current assets			
Property, plant and equipment	10	3,644	3,944
Intangible assets	12	76,679	81,949
Right of use assets	11	-	-
Deferred tax asset	9	2,719	15,404
		83,042	101,297
Current assets			
Trade and other receivables	14	29,114	45,632
Inventories	13	10,666	16,821
Cash and cash equivalents		2,467	4,078
Corporation tax receivable		4,493	-
		46,740	66,531
Total assets		129,782	167,828
Equity			
Share capital	17	-	-
Share premium	18	237,496	237,496
Other reserves	19	61,521	61,521
Accumulated losses		(250,151)	(263,281)
Total equity		48,866	35,736
Non-current liabilities			
Lease liabilities		3,175	3,965
Provisions	16	1,980	1,977
		5,155	5,942
Current liabilities			
Trade and other payables	15	68,724	122,436
Lease liabilities		790	781
Provisions	16	6,247	2,696
Corporation tax payable		-	237
		75,761	126,150
Total liabilities		80,916	132,092
Total equity and liabilities		129,782	167,828

The financial statements were approved by the Board of Directors on 7 September 2022 and were signed on its behalf by:

DocuSigned by:

 Jonathan Monson
 Director

The notes on pages 16 to 32 form part of these financial statements.

Registered Number 04305025

Biocompatibles UK Limited

Statement of changes in equity for the year ended 31 December 2021

	Share capital £'000	Share premium £'000	Other reserves £'000	Accumulated losses £'000	Total equity £'000
At 1 Jan 2020	-	237,496	61,521	(281,033)	17,984
<i>Comprehensive income:</i>					
Profit for the year	-	-	-	17,688	17,688
Total comprehensive income for the year	-	-	-	17,688	17,688
<i>Transactions with owners:</i>					
Share based payments	-	-	-	64	64
Transactions with owners	-	-	-	64	64
At 31 Dec 2020	-	237,496	61,521	(263,281)	35,736
<i>Comprehensive income:</i>					
Profit for the year	-	-	-	13,029	13,029
Total comprehensive income for the year	-	-	-	13,029	13,029
<i>Transactions with owners:</i>					
Share based payments	-	-	-	101	101
Transactions with owners	-	-	-	101	101
At 31 Dec 2021	-	237,496	61,521	(250,151)	48,866

The notes on pages 16 to 32 form part of these financial statements.

Biocompatibles UK Limited

Notes to the financial statements

1 General information

Biocompatibles UK Limited (the 'Company') is a company incorporated and domiciled in the United Kingdom under the Companies Act 2006. The Company is a member of the Boston Scientific Corporation Group (the 'BSC Group' or 'Group') comprising Boston Scientific Corporation ('BSC') and its subsidiary undertakings. The address of the registered office is given on page 4. The nature of the Company's operations and its principal activities are set out in the Strategic report on page 2.

The financial statements have been prepared in accordance with the accounting policies described below.

2 Significant accounting policies

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

(a) Basis of accounting and preparation of financial statements

The financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ('FRS 101'). The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

These financial statements are presented in Sterling and all values are rounded to the nearest £1,000 except where otherwise indicated.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined).
- IFRS 7, 'Financial instruments: Disclosures'.
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- Paragraph 38 of IAS 1, 'Presentation of financial statements' – comparative information requirements in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16, 'Property, plant and equipment'; and
 - paragraph 118(e) of IAS 38, 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period).
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d) (statement of cash flows);
 - 16 (statement of compliance with all IFRS);
 - 38A (requirement for minimum of two primary statements, including cash flow statements);
 - 38B–D (additional comparative information);
 - 111 (cash flow statement information); and
 - 134–136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'.
- Paragraphs 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).
- The requirements in IAS 24, 'Related party disclosures', to disclose related party transactions entered into between two or more members of a group.

Biocompatibles UK Limited

Notes to the financial statements (continued)

2 Significant accounting policies (continued)

(a) Basis of accounting and preparation of financial statements (continued)

These financial statements have been prepared on the going concern basis which the Directors believe to be appropriate despite the Company's net current liabilities position. Although profitable in the current year, the Company is dependent for its working capital on funds provided by its fellow subsidiary undertakings. BSC has provided the Company with an undertaking that it, or another BSC Group undertaking, will provide financial support to assist the Company in meeting its liabilities as and when they fall due, to the extent that money is not otherwise available to meet such liabilities, for a period of 12 months from the date of approval of these financial statements. This should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment.

The Directors have considered the position of BSC through making enquiries and a review of publicly available financial information for the BSC Group including the Group's trading results and cash flows, and its cash on hand, indebtedness and related debt maturity, and available undrawn credit facilities.

Taking into account the position of the BSC Group and the undertaking referred to above, the Directors believe it remains appropriate to prepare the financial statements on a going concern basis.

In reaching their opinion, the Directors have taken into consideration the impact of COVID-19 on the Company.

(b) Foreign currency

Foreign currency transactions

The Company's functional currency is Sterling.

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at each reporting date are translated at the foreign exchange rate ruling at that date. Exchange gains/losses on retranslation of foreign currency transactions and balances within trading intercompany balances are recognised in the income statement within operating expenses.

(c) Intangible assets

(i) Initial recognition

Intangible assets are initially recognised at cost. Cost includes the cost of obtaining patent protection for intellectual property rights, the cost of acquisition of patents and the costs of the internal patent attorney specific to obtaining the initial grant of a patent. Income from patents is derived through licensing and other agreements.

(ii) Amortisation

Intangible assets are amortised in a manner calculated to write off the cost, on a straight-line basis, over the useful life of the asset. In determining the appropriate useful life of the asset, consideration is given to the expected cash generating life of the asset or remaining patent life if different.

The useful life of each class of asset is determined as follows:

- Licence agreements and patents: period to expiry of the contract.
- In-process research and development ('IPR&D'): amortisation is not charged until the asset is generating an economic return, at which point the useful life is assessed by reference to the remaining patent life.
- Computer software: the shorter of the licence period and three years.

In the event that an intangible asset is no longer used or a patent is abandoned, the balance of unamortised expenditure is written off immediately.

The following useful economic lives are applied:

Licence agreements and patents	Up to 20 years
Computer software	3 years

Biocompatibles UK Limited

Notes to the financial statements (continued)

2 Significant accounting policies (continued)

(c) Intangible assets (continued)

(iii) Income statement disclosure

Amortisation and impairment of intangible assets is included within operating expenses in the income statement.

(iv) Subsequent expenditure

Expenditure subsequent to the initial acquisition of intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(v) Impairment

If an intangible asset is considered to have suffered impairment in value it is written down to its estimated recoverable amount in accordance with the Company's policy on impairment (see note 2(i)).

(d) Property, plant and equipment

(i) Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(i)).

(ii) Depreciation

Depreciation is charged to the income statement on a straight-line basis to write assets down to their residual value using the following useful economics lives:

Freehold buildings	10 to 20 years
Leasehold improvements	2 to 10 years
Plant and machinery, and Furniture and equipment	2 to 15 years

Depreciation is not charged until the asset is brought into use.

(iii) Income statement disclosure

Depreciation and impairment of tangible fixed assets is included within operating expenses in the income statement.

Profits/losses on disposals of property, plant, and equipment are determined by comparing proceeds with the carrying amount of the relevant property, plant and equipment. These are included in profit/loss on sale of tangible assets in the income statement.

(iv) Subsequent expenditure

Expenditure subsequent to the initial acquisition of a tangible fixed asset is capitalised only when it is probable that the Company will realise future economic benefits from the asset.

(v) Impairment

If a tangible asset is considered to have suffered impairment in value it is written down to its estimated recoverable amount in accordance with the Company's policy on impairment (see note 2(i)).

Biocompatibles UK Limited

Notes to the financial statements (continued)

2 Significant accounting policies (continued)

(e) *Right of use assets*

(i) *Right of use assets*

A right of use asset and lease liability is recognised for leases unless the lease term is 12 months or less or the underlying asset has a low value.

A lease liability is recognised at the lease commencement date (or on initial application), measured as the present value of the future lease payments, discounted at the incremental borrowing rate. A corresponding right of use asset is recognised separately on the face of the Statement of financial position, net of accumulated depreciation and impairment losses.

Judgement has been applied to determine the lease term for contracts that include renewal options. The assessment of whether the exercise of such options is reasonably certain impacts the lease term, which significantly affects the amount of lease liability and right of use asset recognised.

(ii) *Depreciation*

Depreciation is charged to the income statement on a straight-line basis to write assets down to their residual value using the following useful economics lives:

Leasehold property	length of the lease
Plant and machinery, and Furniture and equipment	2 to 15 years

(iii) *Income statement disclosure*

Depreciation and impairment of right of use assets is included within operating expenses in the income statement.

Profits/losses on disposals of right of use assets are determined by comparing proceeds with the carrying amount of the relevant right of use assets. These are included in profit/loss on sale of right of use assets in the income statement.

(iv) *Subsequent expenditure*

Expenditure subsequent to the initial acquisition of a right of use asset is capitalised only when it is probable that the Company will realise future economic benefits from the asset.

(v) *Impairment*

If a right of use asset is considered to have suffered impairment in value it is written down to its estimated recoverable amount in accordance with the Company's policy on impairment (see note 2(i)).

(f) *Inventories*

Inventories are valued at the lower of cost and net realisable value. The first in, first out method of valuation is used. Cost includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition. Provision is made for obsolete, slow-moving or defective items where appropriate. Net realisable value is determined at each reporting date on commercially saleable products based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs.

Inventories relating to research and development projects are fully written down in the income statement unless the Company considers it probable to realise economic value from their sale or use. If the circumstances that previously caused these inventories to be written down below cost subsequently change and there is clear evidence of an increase in realisable value, the write down is reversed.

(g) *Trade and other receivables*

Trade and other receivables 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.

(h) *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits.

Biocompatibles UK Limited

Notes to the financial statements (continued)

2 Significant accounting policies (continued)

(i) Impairment

Non-financial assets

Impairment testing is performed for all assets when there is an indicator of impairment.

Specific categories of asset are treated as follows:

(i) *Property, plant and equipment and right of use assets*

Property, plant and equipment and right of use assets are reviewed for impairment whenever there are events that indicate that impairment may have occurred. An impairment loss is recognised if an asset's carrying amount exceeds the greater of its value in use and fair value less costs to sell. Impairment losses are recognised within Operating expenses in the income statement.

(ii) *Intangible assets*

Intangible assets are also tested for impairment whenever there are indications that the carrying value may not be recoverable and annually for assets not yet in use (eg IPR&D). Intangible assets are grouped at the lowest levels for which there are separately identifiable cash flows. Any impairment losses are recognised immediately in the income statement. When assessing the recoverable amount of an intangible asset the Company uses a risk adjusted discounted cash flow model. See note 3 for further details.

(j) Employee benefits

(i) *Defined contribution pension plans*

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred. Payments made to state-managed retirement benefit schemes are dealt with in the same manner as payments to defined contribution plans where the Company's obligations under the plans are equivalent to a defined contribution retirement benefit plan. The funds of the schemes are independent of the Company's finances.

(ii) *Share-based payments*

The share option programme allows Company employees to acquire shares in Boston Scientific Corporation subject to certain criteria. The fair value of options granted are recognised as an expense of employment in the income statement with a corresponding increase in equity. The fair value is measured at the date of grant and spread over the period during which the employees becomes unconditionally entitled to the options. The fair value of the options granted is measured using a Black-Scholes or alternative valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense in any year is adjusted to reflect the actual number of share options that vested. However, if share options fail to vest due to share prices not achieving the designated performance threshold for vesting, no such adjustment takes place.

(k) Provisions

A provision is recognised when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Provisions for dilapidations are recognised on leases based on the Company's best estimate of the likely committed cash outflow.

(l) Trade and other payables

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

Biocompatibles UK Limited

Notes to the financial statements (continued)

2 Significant accounting policies (continued)

(m) Revenue recognition

Revenue is recognised to the extent the Company has delivered goods or granted licenses under an agreement, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company. Revenue is measured at the fair value net of the consideration receivable, exclusive of sales taxes, rebates and discounts.

The Company principally obtained revenue from Product sales and Licensing.

(i) Products and related services

The Company recognises revenue for Product Sales by applying the 5-step model in accordance with IFRS 15. Revenue is recognised when a promise in a customer contract (performance obligation) has been satisfied by transferring control over the promised goods and services. Control is usually transferred over shipment, delivery to, upon receipt of goods by the customer, or as services are rendered, in accordance with the delivery and acceptance terms agreed with the customers. Where revenue arrangements specify more than one performance obligation, the transaction price is allocated to each performance obligation based on their relative stand-alone selling prices.

The consideration received by the Company in exchange for its goods and services may be fixed or variable. Variable consideration is only recognized when it is considered highly probable that a significant reversal of revenue will not occur once the underlying uncertainty related to variable consideration is subsequently resolved. The most common themes of variable consideration include contractual price reductions e.g. rebates and volume-based discounts, cash discounts and product returns. Variable consideration is estimated, and takes into consideration historical experience, specific trends and current contractual requirements.

(ii) Licensing

Revenues from the Company's out-licensed programmes are generated following the grant of a licence to a third party to undertake additional development and commercialisation of a research and development programme or other intellectual property rights.

Royalty income is generated by sales of products incorporating the Company's proprietary technology. Royalty revenues are recognised once the amounts due can be reliably estimated based on the sale of underlying products and recoverability is probable.

(n) Research and development

Research and development expenditure is charged to the income statement in the period in which it is incurred. Expenditure incurred on development projects (relating to the design and testing of new or improved products) is recognised as intangible assets when it is probable that the project will generate future economic benefit, considering factors including its commercial and technological feasibility, status of regulatory approval, and the ability to measure costs reliably. Other development expenditures are recognised as an expense as incurred. Development expenditure previously recognised as an expense is not recognised as an asset in a subsequent period. Development expenditure that has a finite useful life and which has been capitalised is amortised from the commencement of the commercial production of the product on a straight-line basis over the period of its expected benefit.

No development expenditure has been capitalised in either the current or prior year.

Property, plant and equipment used for research and development is depreciated in accordance with the Company's policy and the cost is included within 'Research and development' in the income statement.

Biocompatibles UK Limited

Notes to the financial statements (continued)

2 Significant accounting policies (continued)

(o) Cost of sales

Cost of sales includes the direct costs incurred in manufacturing and bringing products to sale in the market and revenue sharing costs.

Revenue sharing costs represent amounts due under royalty arrangements to licensors or assignees of technology and similar directly attributable items. Amounts are recognised upon recognition by the Company of amounts due from a licensee. They are recognised on an accruals basis in accordance with the individual agreements relating to the relevant technology, in line with revenue recognition.

(p) Leases

Payments under leases are recognised in the income statement on a straight-line bases over the term of the lease where the lease term is 12 months or less, or the underlying asset has a low value. A right of use asset and lease liability is recognised for all other leases as described in note 2(e).

(q) Finance expense

Finance expense comprises interest payable during the period, calculated using the effective interest rate method.

(r) Tax

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying value of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for: where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss or where in respect of taxable temporary differences associated with investments in subsidiaries and associates, it is probable that the temporary differences will not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying value of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Biocompatibles UK Limited

Notes to the financial statements (continued)

3 Critical accounting judgements

Recoverability of intangible assets

The Company has significant intangible assets with a net book value of £76,679k at 31 December 2021 (2020: £81,949k).

Finite lived intangible assets are tested for recoverability only when impairment indicators are deemed to exist. Determining if there are indicators of impairment represents a critical accounting judgement. Assessing the recoverability of indefinite lived intangible assets including In-Process Research and Development assets ('IPR&D') and those finite lived intangible assets which management has determined are subject to impairment indicators represents an area of significant estimation uncertainty. The recoverable amount of these intangible assets is based on the higher of their value-in-use and fair value less costs to sell.

The Company first applies a value in use approach to determine whether the recoverable amount is higher than the carrying value of its IPR&D intangible assets. The determination of value in use utilises risk-adjusted cash flow forecasts over the useful economic lives of the relevant assets, with the present value of these forecasts calculated by use of a discount rate using the Company's post-tax WACC, adjusted if necessary to reflect the specific risk profile of the relevant asset.

Key assumptions used to estimate value in use include sales growth rates, anticipated profit margins, estimated tax rates, terminal growth rates and discount rates. Sales growth rates are derived from internal forecasts based on both internal and external market information, whilst anticipated profit margins reflect past experience, adjusted for expected future changes. These forecasts are inherently judgemental and are based on outputs from the Company's planning cycle, with assumptions based on past experience and future expectations.

If the value in use approach indicates the recoverable amount of the asset is less than its carrying amount, the Company then applies a fair value less costs to sell approach. Fair value less costs to sell, in the absence of an observable market price for the asset, represents a source of significant estimation uncertainty as it involves the estimation of risk-adjusted, discounted cash flows similar to determining value-in-use and also requires the application of judgment regarding whether a market participant's assessment of cash flows would be different to those of the Company. The estimates and assumptions on which fair value less costs to sell and value-in-use are based are inherently judgmental. Future events could therefore lead to changes in assumptions used in these recoverability assessments, including a possible impairment charge or the possible reversal of impairment charges. It is therefore possible a change in any such assumption could lead to future impairment charges, which if recognised, could significantly impact the Company's financial results.

Further details of the estimates and assumptions used in determining the recoverable amounts of the Company's intangible assets are included in note 12 to the financial statements.

The recoverability of intangible assets for marketed products ('Developed Technology') and purchased contractual rights is potentially at risk if pricing, reimbursement and/or market penetration are at lower levels than the Company's current assumptions. Additionally, IPR&D assets carry inherent development and regulatory risks, such that these assets are particularly at risk of impairment in full if the relevant development programmes do not obtain the requisite regulatory approval or reach commercialisation, and there is no alternative use for these assets. Given their nature, impairment charges which may be triggered by future events that have yet to occur could significantly impact the Company's financial results.

Biocompatibles UK Limited

Notes to the financial statements (continued)

4 Revenue

Analysis of revenue based on the source of revenue and the geographical location of customers is provided below.

	2021 £'000	2020 £'000
Revenue from major products and services:		
Product sales	139,453	136,599
Royalties	78	107
	139,531	136,706
Geographical analysis:		
UK	9,511	8,157
USA	-	87,976
Europe	130,128	35,166
Other regions	(108)	5,407
	139,531	136,706

The directors consider that there is only one class of business, namely the manufacture and commercialisation of medical devices.

5 Operating profit

	2021 £'000	2020 £'000
Operating profit is stated after charging/(crediting):		
Inventory recognised as an expense	18,840	16,315
Net foreign exchange losses	1,565	337
Depreciation of property, plant and equipment (note 10)	1,195	1,937
Depreciation of right of use asset	-	634
Amortisation of intangible assets (note 12)	5,270	5,332
Impairment of property, plant and equipment	-	3,790
Impairment of right of use assets	-	3,458
Loss on disposal of property, plant and equipment	-	177
Profit on disposal of sales activities (note 21)	-	(12,262)
Staff costs (note 6)	18,382	19,700
Operating lease rental expense	20	64
Research and development expenditure	23,507	24,388

On 6 April 2020, the Company disposed of its sales activities to companies within the BSC Group realising a profit of £12,262k. Further details are set out in note 21.

Biocompatibles UK Limited

Notes to the financial statements (continued)

5 Operating profit (continued)

The analysis of Auditor's remuneration is as follows:

	2021 £'000	2020 £'000
Audit of the Company's annual financial statements	164	156

6 Staff costs

The average number of persons employed by the Company (including directors) during the year is analysed below:

	2021 Number	2020 Number
Research and production	118	143
Sales, administration and business support	46	85
Number of employees	164	228

	2021 £'000	2020 £'000
The aggregate payroll costs of these persons were as follows:		
Wages and salaries	15,946	16,305
Social security costs	1,599	2,407
Share based payment expense	101	64
Pension costs	736	924
	18,382	19,700

The share-based payment expense included within the staff costs analysis above is an expense related to the grant of share options or share awards in Boston Scientific Corporation.

The Company offers defined contribution pension schemes for its employees which are operated by external providers. The only obligation of the Company with respect to these schemes is to make the specified contributions.

7 Directors' remuneration

None of the Directors who served during the year were remunerated by the Company for the year ended 31 December 2021 (2020: none). The two directors who served during the year (2020: four) were remunerated by other BSC Group entities. They did not receive specific remuneration for their qualifying services as directors of Biocompatibles UK Limited and no allocation of their remuneration costs has been made for the year (2020: £nil).

During the year, two directors (2020: one) exercised share options.

8 Financial expense

	2021 £'000	2020 £'000
Interest on loans from fellow Group companies	62	4,426
Interest on capital leases	140	163
	202	4,589

Biocompatibles UK Limited

Notes to the financial statements (continued)

9 Taxation

	2021 £'000	2020 £'000
Current taxation		
Current year group relief payable	7,956	730
Overseas tax	(591)	2,077
Adjustments in respect of prior years	2,760	(405)
Total current taxation charge	10,125	2,402
Deferred taxation		
Deferred tax (credit)/charge	(350)	2,538
Adjustments in respect of prior years	13,492	675
Deferred tax rate change	(457)	(1,955)
Total deferred tax charge	12,685	1,258
Total tax charge	22,810	3,660

Corporation tax in the UK is calculated at 19% of the estimated assessable profit for the year. Corporation Tax for the year is different to that arising from applying the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below.

	2021 £'000	2020 £'000
Profit before tax	35,839	21,348
Tax charge on profit at 19% (2020: 19%)	6,809	4,056
Overseas tax rate difference	-	514
Non-taxable income	-	(80)
Adjustments in respect of prior years	15,662	270
Expenditure not deductible for tax purposes	880	855
Difference between current and deferred tax rates	(84)	-
Adjustment to tax rates	(457)	(1,955)
Total tax credit for the year	22,810	3,660

The movement on the deferred tax asset is as shown below.

	2021 £'000	2020 £'000
Deferred tax asset recognised at 1 Jan	15,404	17,171
R&D tax credits	-	(509)
Income statement credit/(charge)	350	(2,538)
Adjustments in respect of prior years	(13,492)	(675)
Deferred tax rate change	457	1,955
Deferred tax asset recognised at 31 Dec	2,719	15,404

Biocompatibles UK Limited

Notes to the financial statements (continued)

9 Taxation (continued)

The deferred tax asset at 31 December 2021 relates to timing differences recognised at 25% (31 December 2020: 19%) and can be analysed as follows

	2021 £'000	2020 £'000
Tax losses	-	13,942
Accelerated capital allowances	1,120	332
R&D tax credits	-	40
Short term timing differences	1,599	1,090
Deferred tax asset recognised at 31 Dec	2,719	15,404

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

The UK Budget 2021 announcements on 3 March 2021 included an increase of the UK's main corporation tax rate to 25% which is due to be effective from 1 April 2023. These changes were substantively enacted at the reporting date and hence have been reflected in the measurement of deferred tax balances at the year end.

The (credit)/debit relating to R&D tax credits has been recognised in research & development costs.

10 Property, plant and equipment

	Leasehold improvements £'000	Freehold land and buildings £'000	Plant and machinery, Furniture and equipment £'000	Assets in course of construction £'000	Total £'000
Cost					
At 1 Jan 2021	10,993	2,968	7,527	399	21,887
Additions	-	-	-	895	895
Disposals	(6,143)	-	(5,452)	-	(11,595)
Transfers	-	-	1,083	(1,083)	-
At 31 Dec 2021	4,850	2,968	3,158	211	11,187
Depreciation and impairment					
At 1 Jan 2021	9,156	1,650	7,137	-	17,943
Provided during the year	627	199	369	-	1,195
Disposals	(6,143)	-	(5,452)	-	(11,595)
At 31 Dec 2021	3,640	1,849	2,054	-	7,543
Net book value					
At 31 Dec 2021	1,210	1,119	1,104	211	3,644
At 31 Dec 2020	1,837	1,318	390	399	3,944

Net Property, plant and equipment disposals during the year of £nil (2020: £946k) reflects assets that are no longer in use with net proceeds during the year being £nil (2020: £769k).

Biocompatibles UK Limited

Notes to the financial statements (continued)

11 Right of use assets

	Leasehold property £'000
Cost	
At 1 Jan 2021 and 31 Dec 2021	4,558
Depreciation	
At 1 Jan 2021 and 31 Dec 2021	4,558
Net book value	
At 31 Dec 2021 and 31 Dec 2020	-

12 Intangible assets

	Licence agreements and patents £000	In-process research and development £000	Computer software £000	Total £000
Cost				
At 1 Jan 2021 and 31 Dec 2021	76,492	41,809	2,364	120,665
Amortisation		4		
At 1 Jan 2021	37,415	-	1,301	38,716
Provided during the year	4,805	-	465	5,270
At 31 Dec 2021	42,220	-	1,766	43,986
Net book value				
At 31 Dec 2021	34,272	41,809	598	76,679
At 31 Dec 2020	39,077	41,809	1,063	81,949

The carrying value of the individually significant asset included within Licence agreements and patents is:

	2021 £000	2020 £000	Remaining amortisation period as at 31 Dec 2021
TheraSphere®	34,165	38,878	7 years

In-process research and development ('IPR&D') comprises targeted therapies assets.

In the year ended 31 December 2021, the recoverable amount of the targeted therapy assets has been determined using a value in use approach. Value in use is calculated using a discounted cash flow approach, with a post-tax discount rate of 7.2% applied to forecast future post-tax cash flows and terminal values.

Key assumption

Sales growth rates
Profit margins and tax rates
Terminal growth rates

Market discount rates

Basis for assumption

Internal forecasts based on both internal and external information
Past experience, adjusted for expected changes
Management's estimate of future long-term average growth rates taking into account both future competition and new product launches
Estimate of the Group WACC

The targeted therapies IPR&D asset carries inherent development risk, such that this asset is particularly at risk of impairment in full if the relevant development programs either are not successful and / or do not obtain the requisite regulatory approval. As a result, impairment charges which may be triggered by future events that have yet to occur could significantly impact the Company's financial results.

Biocompatibles UK Limited

Notes to the financial statements (continued)

13 Inventories

	2021 £'000	2020 £'000
Raw materials	7,692	11,350
Work in progress	1,641	4,468
Finished goods	1,333	1,003
	10,666	16,821

As at 31 December 2021 the provisions for slow moving inventory amounted to £nil (2020: £286k)

Inventory to the value of £283k was written off through cost of sales (2020: £480k).

14 Trade and other receivables

	2021 £'000	2020 £'000
Amounts due within one year:		
Trade receivables	433	1,595
Less: provisions	(433)	(522)
	-	1,073
Amounts owed by Group companies	28,186	42,380
Other receivables	419	1,466
Prepayments and accrued income	509	713
	29,114	45,632

Amounts owed by Group companies is non-interest bearing and repayable on demand.

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

15 Trade and other payables

	2021 £'000	2020 £'000
Amounts due within one year:		
Trade payables	2,990	2,312
Amounts owed to Group companies	58,899	109,571
Social security and other taxes	60	254
Other payables	441	529
Accruals	6,334	9,770
	68,724	122,436

Amounts owed to Group companies are repayable on demand and includes £8,024k which bears interest at LIBOR plus a margin. The remainder is non-interest bearing.

The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

Biocompatibles UK Limited

Notes to the financial statements (continued)

16 Provisions

	Property Dilapidations £'000	Severance £'000	Other £'000	Total £'000
At 1 Jan 2020	1,632	5,270	294	7,196
Provisions made during the year	113	2,565	69	2,747
Provisions utilised during the year	-	(5,270)	-	(5,270)
At 31 Dec 2020	1,745	2,565	363	4,673
Provisions made during the year	-	5,991	-	5,991
Provisions utilised during the year	-	(2,309)	(128)	(2,437)
At 31 Dec 2021	1,745	6,247	235	8,227
At 31 Dec 2021				
Balance due within one year	-	6,247	-	6,247
Balance due after one year	1,745	-	235	1,980
	1,745	6,247	235	8,227
At 31 Dec 2020				
Balance due within one year	-	2,565	131	2,696
Balance due after one year	1,745	-	232	1,977
	1,745	2,565	363	4,673

Property dilapidations represent the estimated cost of restoring sites to their original state.

Other provisions relate to onerous contracts and the closure of a clinical trial during the previous year. It is not possible to determine the timing of future outflows in respect of this provision.

17 Share capital

The issued and fully paid capital of the Company is shown below.

	Number	2021 £'000	Number	2020 £'000
Ordinary shares of £0.01 each	285	-	285	-

18 Share premium

	2021 £'000	2020 £'000
Share premium	237,496	237,496

19 Other reserves

Other reserves comprise a capital contribution made by the parent company and release of debt due to the parent company.

Biocompatibles UK Limited

Notes to the financial statements (continued)

20 Share-based payments

Share-based payments awarded to employees allow employees to acquire BSC common stock subject to certain criteria.

Employee and Director Stock Incentive Plans

In 2020, the Boston Scientific Corporation ('BSC') Board of Directors and stockholders approved amendments to the 2011 Long-Term Incentive Plan effective 1 October 2020 (Amended and Restated 2011 LTIP), authorizing for issuance up to 171 million shares of BSC common stock. The Amended and Restated 2011 LTIP covers officers, directors, employees and consultants and provides for the grant of restricted or unrestricted common stock, restricted stock units (RSUs), options to acquire BSC common stock, stock appreciation rights, performance awards (market-based and performance-based RSUs) and other stock and non-stock awards. The Executive Compensation and Human Resources Committee (the 'Committee') of the BSC Board of Directors, consisting of independent, non-employee directors may authorize the issuance of common stock and cash awards under the Amended and Restated 2011 LTIP in recognition of the achievement of long-term performance objectives established by the Committee.

Non-qualified options issued to employees are generally granted with an exercise price equal to the market price of BSC stock on the grant date, vest over a four-year service period and have a ten-year contractual life. In the case of qualified options, if the recipient owns more than ten percent of the voting power of all classes of stock, the option granted will be at an exercise price of 110 percent of the fair market value of the common stock on the date of grant and will expire over a period not to exceed five years. Non-vested stock awards, including restricted stock awards (RSAs), RSUs and deferred stock units (DSUs) issued to employees are generally granted with an exercise price of zero and typically vest in four or five equal annual instalments. These awards represent BSC's commitment to issue shares to recipients after the vesting period. Upon each vesting date, such awards are no longer subject to risk of forfeiture and BSC issues shares of its common stock to the recipient.

Expense Attribution

The Company recognizes compensation expense for the stock incentive plan using a straight-line method over the substantive vesting period. Most of the stock awards provide for immediate vesting upon death or disability of the participant. In addition, the stock grants to employees provide for accelerated vesting of BSC stock-based awards, other than performance-based and market-based awards, upon retirement, if the stock award has been held for at least one year by the recipient. In accordance with the terms of the stock grants, for employees who will become retirement eligible prior to the vest date the Company expenses stock-based awards, other than performance-based and market-based awards, over the greater of one year or the period between grant date and retirement-eligibility. The performance-based and market-based awards discussed above do not contain provisions that would accelerate the full vesting of the awards upon retirement-eligibility.

The Company recognizes stock-based compensation expense for the value of the portion of awards that are ultimately expected to vest. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The term "forfeitures" is distinct from "cancellations" or "expirations" and represents only the unvested portion of the surrendered stock-based award. The Company has applied, based on an analysis of historical forfeitures, a weighted-average annual forfeiture rate of approximately five percent to all unvested stock-based awards as of 31 December 2021, which represents the portion that the Company expects will be forfeited each year over the vesting period. The Company re-evaluates this analysis annually or more frequently if there are significant changes in circumstances and adjust the forfeiture rate as necessary. Ultimately, the Company will only recognize expense for those shares that vest.

The Company's profit and loss account for the year ended 31 December 2021 included stock-based compensation expense recognised for options and restricted stock awards granted to its employees of £101k (2020: £64k).

Biocompatibles UK Limited

Notes to the financial statements (continued)

21 Disposal of sales activity

On 6 April 2020, as part of the transition in the strategy of the Company away from direct distribution to focus on manufacturing and R&D and to sell commercial product through existing BSC Group distribution channels, the Company sold its sales activity, comprising customer contracts and inventory, as set out in the following table.

Territory	Purchaser	Consideration £'000
Italy	Boston Scientific S.p.A.	3,030
Spain	Boston Scientific Ibérica, S.A.	2,852
France*	Boston Scientific S.A.S.	1,869
UK	Boston Scientific Limited	756
All countries outside the United States, except for Italy, Spain, France and UK.	Boston Scientific International B.V.	4,199
		<hr/> 12,706
Less net assets transferred		(444)
Profit on disposal of sales activities		<hr/> 12,262

* Transfer of customer contracts only.

The effective date of the transfers was 6 April 2020 with the exception of the transfer of TheraSphere® sales activity, which was deferred until 16 November 2020.

22 Capital and other financial commitments

At the year end, the Company had no capital commitments (2020: £nil).

23 Contingent Liabilities

At 31 December 2021, the Company had aggregate bid and performance bonds outstanding of £2,281k (2020: £2,460k) of which £2,138k (2020: £2,177k) was covered by bank guarantees and £143k (2020: £283k) was covered by restricted cash included in the Company's cash balance.

24 Ultimate and immediate parent company

The Company's ultimate parent company is Boston Scientific Corporation ('BSC'). BSC is registered in Delaware, USA. The Annual Report and Accounts of BSC are available to the public and may be obtained from 300 Boston Scientific Way, Marlborough, Massachusetts, USA.

The Company's immediate parent is BTG International (Holdings) Limited, registered in England and Wales.

The parent undertaking of the smallest and largest group to consolidate these financial statements is BSC.