

Company registration number 04345895 (England and Wales)

**ALIGN TECHNOLOGY UK LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

# ALIGN TECHNOLOGY UK LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	J Tandy J A Coletti M C Sebastian
<b>Company number</b>	04345895
<b>Registered office</b>	2800 The Crescent Solihull Parkway Birmingham Business Park Solihull B37 7YL
<b>Auditor</b>	Alliotts LLP Imperial House 8 Kean Street London WC2B 4AS

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# ALIGN TECHNOLOGY UK LIMITED

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# ALIGN TECHNOLOGY UK LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2021

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

#### Fair Review of the Business

Align Technology ("Align") is a global medical device company primarily engaged in the design, manufacture and marketing of Invisalign® clear aligners, iTero™ intraoral scanners and services for dentistry, and exocad™ computer-aided design and computer-aided manufacturing ("CAD/CAM") software for dental laboratories and dental practitioners. We also market and sell consumer products that are complementary to our doctor-prescribed principal products under the Invisalign and other brands, including retainers, aligner cases (clamshells), teeth whitening products and cleaning solutions (crystals, foam, and other material) (collectively "Consumer Products"). Our primary goals are to establish clear aligners as the principal solution for the treatment of malocclusions, or the misalignment of teeth, and our Invisalign system as the treatment solution of choice by orthodontists, general dental practitioners and patients globally, our intraoral scanners as the preferred scanning technology for digital dental scans, and our exocad CAD/CAM software as the solution of choice for dental labs. These technology building blocks enable enhanced digital orthodontic and restorative workflows to improve patient outcomes and practice efficiencies for doctors and is key to accessing Align's 500 million consumer market opportunity worldwide. Align has helped doctors treat over 12 million of patients with the Invisalign system and is driving the evolution in digital dentistry through the Align™ Digital Platform, our integrated suite of unique, proprietary technologies and services delivered as a seamless, end-to-end solution for patients and consumers, orthodontists and GP dentists, and lab/partners.

The orthodontic market for the treatment of malocclusions in the UK represents approximately 75,000 case starts annually. Align's share of orthodontic case starts with Invisalign clear aligners remains largely underpenetrated compared to traditional wires and brackets treatment which represents most of the case starts; however, Align's growth reflects continued adoption of clear aligner therapy. As awareness of the benefits of clear aligner treatment over traditional wires and brackets increases, competition to replace wires and brackets is intensifying, with more companies offering new clear aligner products in Europe, including the UK. Today, there are several clear aligner companies operating in the UK including those offering 'do-it-yourself' ("DIY") or home treatment remedies. Many of these DIY companies spend considerable amounts of money and resources advertising directly to consumers. Align is committed to a doctor-centred model and the Invisalign system continues to be adopted by the British doctors, both dentists and orthodontists, which reflects strong brand awareness and interest among patients who come into their doctors' offices with a general high awareness of available teeth straightening solutions and who continue to search for Invisalign treatment by name. As the number of clear aligner competitors increases, it is essential that Align continue to invest in new technological enhancements and solutions, such as digital tools, as well as consumer demand creation programs and advertising.

#### Results 2021

Align Technology's business continues to grow, driven not only by increasing demand for more convenient options for the treatment of malocclusion such as digital orthodontics and restorative dentistry offered by dental professionals, but also by numerous product innovations, ongoing adoption into the teenager segment, and evolving consumer demand programs while increasing operational efficiencies.

In 2021, total Align Technology, Inc. consolidated net revenues were a record \$4.0 billion, up 59.9% year-over-year, with Clear Aligner revenues a record \$3.2 billion, up 54.5% year-over-year. 2021 Systems and Services revenues were a record \$705.5 million, up 90.4% year-over-year.

In 2021, total Align Technology UK Ltd operating expenses increased overall by 43% and revenue increased by 51.8%. The profit before taxation has increased £2.6m which is up 96.6% than 2021 as a result of the recovery from COVID 19 pandemic.

# **ALIGN TECHNOLOGY UK LIMITED**

## **STRATEGIC REPORT (CONTINUED)**

***FOR THE YEAR ENDED 31 DECEMBER 2021***

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### **Research and Development**

Align is committed to investing in world-class technology development, which we believe is critical to our vision of making clear aligner treatment available to everyone through doctors.

Align has been at the forefront of the digital dentistry revolution since 1997 driving innovation through advanced science and technology including biomechanics, software algorithms, 3D printing and proprietary polymers to create a digital solution to replace traditional orthodontic treatment using wires and brackets. Today, Invisalign treatment is the most advanced clear aligner system in the world. In 2011 we added iTero intraoral scanners, moving virtual treatment planning and visualization chairside, enhancing doctor-patient communication and the entire treatment experience.

In 2020, we added exocad CAD/CAM software which helps tens of thousands of dental professionals bring the precision, efficiency, and collaboration of digital production to restorative dentistry, implant planning, and more.

Align is still revolutionizing digital orthodontics and transforming the practice of dentistry with integrated digital workflows and virtual tools designed to improve clinical confidence, treatment efficiency, and patient outcomes and experience.

The Align Digital Platform is the foundation of that revolution – a unique combination of software, systems and services designed to provide a seamless experience and workflow that integrates and connects all users – doctors, labs, patients, and consumers - that delivers interconnected, interdisciplinary workflows and treatment solutions that move all aspects of treatment forward, from first consultations through to final smiles.

During 2021, Align invested over \$250 million in research and development globally. Our research and development activities are directed toward developing digital technology innovations that we believe will deliver our next generation of products and solutions to enable the Align digital platform. These activities range from accelerating product and clinical innovation to developing manufacturing process improvements to researching future technologies, products and software.

In an effort to demonstrate the broad treatment capabilities of the Invisalign system, various clinical case studies and articles have been published that highlight the clinical applicability of Invisalign treatment to malocclusion cases, including those of severe complexity. Similarly, various studies have also been published demonstrating the capabilities of our scanners, including advanced features such as our NIRI technology. We undertake pre-commercialization trials and testing of our technological improvements to our products and manufacturing process. We also hosted more than 1,000 educational events for Invisalign trained doctors in the EMEA region.

# ALIGN TECHNOLOGY UK LIMITED

## STRATEGIC REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2021**

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### Risks and threats

Align is exposed to numerous risks due to its global activities and handles these risks responsibly in accordance with our business policy.

The risks and uncertainties that relate to the future profitability of the business include:

- the impact of the COVID-19 pandemic and its variants on the health and safety of our employees, customers, patients, and our suppliers, as well as the physical and economic impacts of the various recommendations, orders, and protocols issued by local and national governmental agencies in light of continual evolution of the pandemic, including any periodic reimplementation of preventative measures in various global locations.
- the economic and geopolitical ramifications of the military conflict in Ukraine, including sanctions, retaliatory sanctions, nationalism, supply chain disruptions and other consequences, any of which may or continue to adversely impact our commercial and research and development activities inside and outside of Russia.
- difficulties predicting customer and consumer purchasing behaviour and changes in consumer spending habits as a result of, among other things, prevailing economic conditions, levels of employment, salaries and wages, growing inflationary pressure and declining consumer confidence, particularly in light of the pandemic and pandemic-related restrictions, the military conflict in Ukraine and the impact of efforts by central banks to combat inflation.
- the timing and availability and cost of raw materials, components, products and other shipping and supply chain constraints.
- increasing competition from existing and new competitors
- Our ability to develop, successfully introduce, achieve market acceptance of, and manage new products and services.
- failing to sustain or increase revenue growth while controlling expenses.
- failing to accurately predict our volume growth, hire too many or too few technicians, or manufacture too many or too few products.
- the delivery time for our products could be delayed or our costs may exceed our revenues, each of which could adversely affect our results of operations.
- business disruptions could seriously harm our financial condition.
- fluctuations in currency exchange rates and inflation, each of which could negatively affect our financial condition and results of operations.

For a more detailed description of the various risks and uncertainties in connection with Align's business, please review the risk factors in Align's Forms 10-K and 10-Q filed with the U.S. Securities and Exchange Commission ("SEC").

Currently, our clear aligner products compete with traditional metal brackets and wires and increasingly against clear aligner products manufactured and distributed by new market entrants as well as traditional manufacturers of wires and brackets and from traditional medical device companies, laboratories, start-ups and, in some cases, from doctors themselves. Our clear aligner products compete directly against traditional orthodontic treatments that use metal brackets and wires and increasingly against clear aligner products manufactured and distributed by various companies, both within and outside the U.S. Although the number of competitors varies by segment, product, geography, and customer, they include new and well-established regional competitors in certain foreign markets, as well as larger companies or divisions of larger companies with substantial sales, marketing, research and financial capabilities.

We believe we are well positioned to compete in the markets we target. We have a dedicated sales force of over 4,000 employees globally who are focused on key demographics in our target markets that allow us to uniquely address customer needs and thereby enhance the customer experience. Our significant historical and ongoing investments in research and design around the movement of teeth, SmartTrack aligner materials and design, intraoral scanning, 3D manufacturing, global scale of manufacturing and treatment planning, strong brand name recognition, and an in depth understanding of the drivers and motivations within the orthodontic and GP dental markets are among a few of our key competitive factors that compare favourably with our competitors' products and services.

# **ALIGN TECHNOLOGY UK LIMITED**

## **STRATEGIC REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2021**

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Our operating results depend to a significant extent on our ability to market and develop our products. The life cycles of our products are difficult to estimate due, in part, to the effect of future product enhancements and competition. Our inability to successfully develop and market our products because of competition or other factors would have a material adverse effect on our business, financial condition, and results of operations.

Competition to replace traditional wires and brackets as the treatment of choice for malocclusion is increasing and we expect more visible and dynamic efforts from existing manufacturers of wires and brackets and providers of clear aligners. We also expect other companies will introduce clear aligner solutions that will compete directly with us. These efforts are already occurring in Europe and are currently most pronounced in the UK, Ireland, and Germany.

### **COVID-19 Pandemic**

Due to the COVID-19 pandemic, we are subject to a greater degree of uncertainty than normal in making the judgments and estimates needed to apply our significant accounting policies. The full extent to which the pandemic, including as a result of any new variants, business restrictions or lockdowns, and the impact of vaccinations, will directly or indirectly impact our business, results of operations, cash flows, and financial condition will depend on future developments that are highly uncertain and cannot be accurately determined. Further, we could also be materially adversely affected by supply chain disruptions, including shortages and inflationary pressures, uncertain or reduced demand, labour shortages, delays in collection of outstanding receivables and the impact of any initiatives or programs that we may undertake to address financial and operational challenges faced by our customers.

### **Market Demand**

Globally rising incomes and higher life expectancy are the main growth drivers in the dental market, which is at the same time characterized by price pressure due to concentration among dental practices as well as consumer sentiment and demand being impacted by inflation and threats of recession. Local fluctuations in demand due to changes in the healthcare system will continue to occur.

Align's products help dental professionals achieve the clinical results they expect and deliver effective, cutting-edge dental options to their patients.

Our goal is to give patients of all ages access to the smiles they want and deserve. Our smile-changing technology and innovations are designed to meet the demands of today's patients with treatment options that are convenient, comfortable, affordable, while helping to improve overall oral health. We strive to help our doctor customers move their practices forward by connecting them with new patients, providing digital solutions to help increase practice efficiency and helping them deliver the best possible treatment outcomes and experiences to millions of people around the world. We achieve this by continued focus and execution of our strategic growth drivers of patient demand & conversion, orthodontist utilization, General Practitioner dentists ("GPs") adoption, and international expansion.

Align pioneered the market for clear aligners, and today is the leader in the evolution of digital dentistry and developing its global footprint. Our innovative products and technology and focus on providing Invisalign trained doctors with exceptional hands-on customer support, has enabled Align to continuously outpace the growth rate of the underlying orthodontic market. Align will continue to drive business growth while gaining share of the existing orthodontic market and expanding the global market for clear aligners.

### **Key Performance Indicators**

The Company does not monitor any Key Performance Indicators due to the nature of the remuneration model.

**ALIGN TECHNOLOGY UK LIMITED**

**STRATEGIC REPORT (CONTINUED)**

***FOR THE YEAR ENDED 31 DECEMBER 2021***

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On behalf of the board

J Tandy  
**Director**

27 September 2022

# ALIGN TECHNOLOGY UK LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2021

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

#### Principal activities

The principal activities of the company continued to be Sales and Marketing support to the UK market, together with the provision of a Customer Care function and a Clinical Support function.

#### Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

J Tandy  
J A Coletti  
M C Sebastian

#### Results and dividends

The results for the year are set out on page 11.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

#### Statement of directors' responsibilities

The directors are responsible for preparing the annual 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 then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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.

#### Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

J Tandy  
**Director**  
27 September 2022

# ALIGN TECHNOLOGY UK LIMITED

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF ALIGN TECHNOLOGY UK LIMITED

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#### Opinion

We have audited the financial statements of Align Technology UK Limited (the 'company') for the year ended 31 December 2021 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including 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 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 at least 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.

#### 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 our 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 this other information, we are required to report that fact.

We have nothing to report in this regard.

#### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our 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 the directors' report have been prepared in accordance with applicable legal requirements.

## **ALIGN TECHNOLOGY UK LIMITED**

### **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

#### **TO THE MEMBERS OF ALIGN TECHNOLOGY UK LIMITED**

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##### **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 the 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 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, 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.

## **ALIGN TECHNOLOGY UK LIMITED**

### **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

#### **TO THE MEMBERS OF ALIGN TECHNOLOGY UK LIMITED**

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##### **Extent to which the audit was considered capable of detecting irregularities, including fraud**

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the company through discussions with directors and other management, and from our commercial knowledge and experience of similar cost plus entities;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including the Companies Act 2006, taxation legislation and data protection, anti-bribery, employment, environmental and health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud;
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations; and
- understanding the design of the company's remuneration policies.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

##### **Audit response to risks identified**

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with HMRC.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

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

## **ALIGN TECHNOLOGY UK LIMITED**

### **INDEPENDENT AUDITOR'S REPORT (CONTINUED)** **TO THE MEMBERS OF ALIGN TECHNOLOGY UK LIMITED**

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#### **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.

**Christopher Mantel**  
**Senior Statutory Auditor**  
**For and on behalf of Alliotts LLP**

27 September 2022

**Chartered Accountants**  
**Statutory Auditor**

Imperial House  
8 Kean Street  
London  
WC2B 4AS

## ALIGN TECHNOLOGY UK LIMITED

### STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £	2020 £
<b>Revenue</b>	<b>3</b>	26,481,585	17,446,765
Administrative expenses		(21,157,926)	(14,798,038)
Foreign exchange (losses)/gains		(31,389)	59,998
<b>Operating profit</b>	<b>4</b>	5,292,270	2,708,725
Investment income	<b>7</b>	-	1,315
Finance costs	<b>8</b>	(919)	(19,206)
<b>Profit before taxation</b>		5,291,351	2,690,834
Tax on profit	<b>9</b>	(932,202)	(274,207)
<b>Profit for the financial year</b>		4,359,149	2,416,627

The income statement has been prepared on the basis that all operations are continuing operations.

# ALIGN TECHNOLOGY UK LIMITED

## STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Notes	2021 £	£	2020 £	£
<b>Non-current assets</b>					
Property, plant and equipment	10		905,649		1,023,672
<b>Current assets</b>					
Trade and other receivables	11	3,875,524		1,852,483	
Cash and cash equivalents		15,346,739		8,568,047	
		19,222,263		10,420,530	
<b>Current liabilities</b>	12	(6,981,095)		(2,665,081)	
<b>Net current assets</b>			12,241,168		7,755,449
<b>Total assets less current liabilities</b>			13,146,817		8,779,121
<b>Provisions for liabilities</b>					
Deferred tax liability	13	117,815		109,268	
			(117,815)		(109,268)
<b>Net assets</b>			13,029,002		8,669,853
<b>Equity</b>					
Called up share capital	15		2		2
Retained earnings			13,029,000		8,669,851
<b>Total equity</b>			13,029,002		8,669,853

The financial statements were approved by the board of directors and authorised for issue on 27 September 2022 and are signed on its behalf by:

J Tandy  
Director

Company Registration No. 04345895

## ALIGN TECHNOLOGY UK LIMITED

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

	Share capital	Retained earnings	Total
	£	£	£
Balance at 1 January 2020	2	6,253,224	6,253,226
Year ended 31 December 2020:			
Profit and total comprehensive income for the year	-	2,416,627	2,416,627
Balance at 31 December 2020	2	8,669,851	8,669,853
Year ended 31 December 2021:			
Profit and total comprehensive income for the year	-	4,359,149	4,359,149
Balance at 31 December 2021	2	13,029,000	13,029,002

# ALIGN TECHNOLOGY UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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### 1 Accounting policies

#### Company information

Align Technology UK Limited is a private company limited by shares incorporated in England and Wales. The registered office is 2800 The Crescent, Solihull Parkway, Birmingham Business Park, Solihull, B37 7YL. The principal place of business is 6th Floor, Cannongate House, 62-64 Cannongate Street, London, EC4N 6AE.

#### 1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Align Technology Inc, incorporated in the United States. These consolidated financial statements are available from its registered office at 2820, Orchard Parkway, San Jose California, 95134, United States.

#### 1.2 Going concern

The directors believe that the Company can successfully manage its business risks and, after making relevant enquiries, the directors have a reasonable expectation that the Company will have access to adequate resources to continue to trade for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements. No adjustments have been made should the parent company withdraw its support to the Company.

#### 1.3 Revenue

Income is recognised in an accordance with a "transfer pricing" agreement with the Group to ensure a set level of operational profit is achieved based on an underlying formula driven by the sales generated in the UK.

#### 1.4 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

# ALIGN TECHNOLOGY UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 1 Accounting policies

(Continued)

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Land and buildings	Leasehold improvement	Over 5 or 10 years
Fixtures, fittings & equipment		Over 2, 3 or 5 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

#### 1.5 Impairment of non-current assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### 1.6 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

#### 1.7 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

# ALIGN TECHNOLOGY UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 1 Accounting policies

(Continued)

#### **Basic financial assets**

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

#### **Impairment of financial assets**

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

#### **Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

#### **Classification of financial liabilities**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

#### **Basic financial liabilities**

Basic financial liabilities, including trade and other payables, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

#### **Derecognition of financial liabilities**

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

### 1.8 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

# ALIGN TECHNOLOGY UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 1 Accounting policies

(Continued)

#### 1.9 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

##### **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

##### **Deferred tax**

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

#### 1.10 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

#### 1.11 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

#### 1.12 Share-based payments

For cash-settled share-based payments, a liability is recognised for the goods and services acquired, measured initially at the fair value of the liability. At the balance sheet date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

#### 1.13 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

# ALIGN TECHNOLOGY UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 1 Accounting policies

(Continued)

#### 1.14 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

### 2 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 amount 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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

#### Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

#### Tangible assets

Tangible fixed assets are recorded at cost less accumulated depreciation. Judgement is required to determine whether there are indicators of impairment of the company's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset.

### 3 Revenue

An analysis of the company's revenue is as follows:

	2021 £	2020 £
<b>Revenue analysed by class of business</b>		
Provision of services	26,481,585	17,446,765
	<u>26,481,585</u>	<u>17,446,765</u>
	2021 £	2020 £
<b>Revenue analysed by geographical market</b>		
United Kingdom	26,481,585	17,446,765
	<u>26,481,585</u>	<u>17,446,765</u>
	2021 £	2020 £
<b>Other revenue</b>		
Interest income	-	1,315
	<u>-</u>	<u>1,315</u>

# ALIGN TECHNOLOGY UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 4 Operating profit

	2021	2020
	£	£
Operating profit for the year is stated after charging/(crediting):		
Exchange differences	31,389	(59,998)
Fees payable to the company's auditor for the audit of the company's financial statements	13,400	9,600
Depreciation of owned property, plant and equipment	336,457	417,964
Loss on disposal of property, plant and equipment	58,995	-
Share-based payments	460,207	522,540
Operating lease charges	217,744	187,828
	<u>217,744</u>	<u>187,828</u>

### 5 Employees

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

	2021	2020
	Number	Number
Sales and administration	153	123
Management	3	3
Total	<u>156</u>	<u>126</u>

Their aggregate remuneration comprised:

	2021	2020
	£	£
Wages and salaries	13,717,499	8,586,734
Social security costs	1,929,021	1,246,031
Pension costs	396,534	247,710
	<u>16,043,054</u>	<u>10,080,475</u>

# ALIGN TECHNOLOGY UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 6 Share based incentives

Under the 'Amended and Restated 2005 Incentive Plan', the company's ultimate parent, Align Technology Inc, a company listed in the US Stock exchange, issues shares of Align Technology Inc upon vesting of restricted stock units (RSUs) or performance stock units (PSU). The issuance of shares and cash received upon exercise or sale is undertaken solely by Align Technology Inc.

During the year ended 31 December 2018, the UK company started to reimburse the US company, the extent of share based incentive relating to the employees in its payroll, calculated in accordance with the intrinsic fair value of the units as on the date of grant, apportioned over the vesting period. The expense payable for the year amounted to £460,207 (2020: £552,540).

Align Technology Inc's relevant employee benefit plans are summarized as follows:

#### (1) RSU

RSUs granted under this plan vest over four years, based on continued employment, and are settled upon vesting in shares of Align Technology Inc's common stock for on a one-for-one basis. The fair value is the listed market price on the grant date of Align Technology Inc's stock on NASDAQ (US stock exchange).

#### (2) PSU

PSUs granted under this plan vest over a period of three years commencing from the date of grant based on continued employment. Any market units that vest in accordance with this plan, will be paid to participant in whole shares at the end of the vesting period. The number of market stock units in which the participant may vest will depend upon Align Technology Inc's stock price performance as compared to the NASDAQ Composite price performance for the

7	performance period Investment income	2021	2020
		£	£
	<b>Interest income</b>		
	Interest on bank deposits	-	1,315
		<u>          </u>	<u>          </u>
<b>8 Finance costs</b>			
		<b>2021</b>	<b>2020</b>
		£	£
	Other interest	919	19,206
		<u>          </u>	<u>          </u>
<b>9 Taxation</b>			
		<b>2021</b>	<b>2020</b>
		£	£
	<b>Current tax</b>		
	UK corporation tax on profits for the current period	926,331	212,179
	Adjustments in respect of prior periods	-	38,168
		<u>          </u>	<u>          </u>
	Total current tax	926,331	250,347
		<u>          </u>	<u>          </u>

# ALIGN TECHNOLOGY UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 9 Taxation (Continued)

	2021 £	2020 £
<b>Deferred tax</b>		
Origination and reversal of timing differences	5,871	23,860
	<u>          </u>	<u>          </u>
Total tax charge	932,202	274,207
	<u>          </u>	<u>          </u>

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2021 £	2020 £
Profit before taxation	5,291,351	2,690,834
	<u>          </u>	<u>          </u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	1,005,357	511,258
Tax effect of expenses that are not deductible in determining taxable profit	98,764	102,986
Tax effect of income not taxable in determining taxable profit	(243,816)	(391,020)
Adjustments in respect of prior years	-	38,168
Fixed asset differences	45,294	16,382
Effect of changes in deferred tax rate	26,603	8,163
Other differences	-	(11,730)
	<u>          </u>	<u>          </u>
Taxation charge for the year	932,202	274,207
	<u>          </u>	<u>          </u>

# ALIGN TECHNOLOGY UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 10 Property, plant and equipment

	Land and buildings Leasehold improvement	Assets under construction	Fixtures, fittings & equipment	Total
	£	£	£	£
<b>Cost</b>				
At 1 January 2021	800,775	20,667	1,157,143	1,978,585
Additions	1,994	275,436	-	277,430
Disposals	-	(31,500)	(405,332)	(436,832)
Transfers	91,266	(264,603)	173,337	-
At 31 December 2021	894,035	-	925,148	1,819,183
<b>Depreciation and impairment</b>				
At 1 January 2021	260,191	-	694,722	954,913
Depreciation charged in the year	86,786	-	249,671	336,457
Eliminated in respect of disposals	-	-	(377,836)	(377,836)
At 31 December 2021	346,977	-	566,557	913,534
<b>Carrying amount</b>				
At 31 December 2021	547,058	-	358,591	905,649
At 31 December 2020	540,584	20,667	462,421	1,023,672

### 11 Trade and other receivables

	2021	2020
	£	£
<b>Amounts falling due within one year:</b>		
Amounts owed by group undertakings	3,564,714	1,631,363
Other receivables	208,228	104,421
Prepayments and accrued income	95,618	112,411
	3,868,560	1,848,195
Deferred tax asset (note 13)	6,964	4,288
	3,875,524	1,852,483

# ALIGN TECHNOLOGY UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 12 Current liabilities

	2021 £	2020 £
Trade payables	232,010	119,240
Amounts owed to group undertakings	58,432	-
Corporation tax	778,622	212,742
Other taxation and social security	23,512	-
Other payables	46,308	39,836
Accruals and deferred income	5,842,211	2,293,263
	<u>6,981,095</u>	<u>2,665,081</u>

### 13 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities 2021 £	Liabilities 2020 £	Assets 2021 £	Assets 2020 £
<b>Balances:</b>				
Accelerated capital allowances	117,815	109,268	-	-
Other short term timing differences	-	-	6,964	4,288
	<u>117,815</u>	<u>109,268</u>	<u>6,964</u>	<u>4,288</u>
<b>Movements in the year:</b>				2021 £
Liability at 1 January 2021				104,980
Charge to profit or loss				5,871
Liability at 31 December 2021				<u>110,851</u>

The deferred tax asset set out above is expected to reverse within 12 months and relates to the utilisation of short term provisions. The deferred tax liability set out above is expected to reverse in a period greater than 12 months and relates to accelerated capital allowances that are expected to mature within the same period.

### 14 Retirement benefit schemes

	2021 £	2020 £
<b>Defined contribution schemes</b>		
Charge to profit or loss in respect of defined contribution schemes	<u>396,534</u>	<u>247,710</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

# ALIGN TECHNOLOGY UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 15 Share capital

	2021 Number	2020 Number	2021 £	2020 £
<b>Ordinary share capital</b>				
<b>Issued and fully paid</b>				
Ordinary Shares of £1 each	2	2	2	2

### 16 Operating lease commitments

#### Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2021 £	2020 £
Within one year	495,021	345,391
Between two and five years	1,643,253	1,332,369
In over five years	636,636	930,468
	<u>2,774,910</u>	<u>2,608,228</u>

### 17 Related party transactions

The following amounts were outstanding at the reporting end date:

	2021 £	2020 £
<b>Amounts due to related parties</b>		
Entities with control, joint control or significant influence over the company	15,931	-
Fellow group companies	42,501	-
	<u></u>	<u></u>
<b>Amounts due from related parties</b>		
Entities with control, joint control or significant influence over the company	3,564,714	1,631,363
	<u></u>	<u></u>

#### Other information

The company has taken advantage of the exemption available in Paragraph 33.1A of FRS102 whereby it has not disclosed transactions with other companies that are wholly owned within the Group.

The balances due with the parent entities are interest-free, unsecured and repayable on demand.

## **ALIGN TECHNOLOGY UK LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

***FOR THE YEAR ENDED 31 DECEMBER 2021***

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**18 Ultimate controlling party**

The immediate parent company is Align Technology BV, a company registered in the Netherlands.

The financial statements are consolidated into the ultimate parent company, Align Technology Inc, which is registered in the United States of America. Copies of the financial statements can be obtained from Align Technology Inc, 2820, Orchard Parkway, San Jose, California, 95134, United States.

No one person has overall control.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.