Suchergebnis

Name	Bereich	Information	V.-Datum
LivaNova Deutschland GmbH München	Rechnungslegung/ Finanzberichte	Befreiender Konzernabschluss zum Geschäftsjahr vom 01.01.2021 bis zum 31.12.2021	06.03.2023

Health innovation that matters

LivaNova Deutschland GmbH

München

Befreiender Konzernabschluss zum Geschäftsjahr vom 01.01.2021 bis zum 31.12.2021

LIVANOVA PLC

London/UK

2021 UK Annual Report

DIRECTORS' REPORT

Our Directors

The directors of the Company, who held office in the year ended 31 December 2021, were as follows:

Chair and Non-executive Director

Mr. William Kozy

Executive Director

Mr. Damien McDonald

Non-executive Directors

Mr. Francesco Bianchi

Mr. Hugh Morrison*

Mr. Daniel J. Moore

Mr. Alfred Novak

Dr. Sharon O'Kane

Dr. Arthur L. Rosenthal

Ms. Andrea Saia

Mr. Todd Schermerhorn

Ms. Stacy Enxing Seng

* Mr. Morrison did not stand for re-election at the 2021 Annual General Meeting.

Directors' Indemnities

Each director is covered by appropriate directors' and officers' liability insurance, and there are also Deeds of Indemnity in place between the Company and each director. These Deeds of Indemnity provide for the Company to indemnify the directors in respect of any proceedings brought by third parties against them personally in their capacity as directors of the Company. The Company would also fund on-going costs in defending a legal action as they are incurred rather than after judgement has been given. In the event of an unsuccessful defense in an action against them in a criminal or civil action, individual directors would be liable to repay defense costs to the extent funded by the Company. In respect of any investigations or actions taken by a regulatory authority, individual directors would be liable to repay defense costs to the extent funded by the Company if that regulatory authority has determined that the relevant director has acted fraudulently, been grossly negligent, or has engaged in wilful misconduct in relation to that claim.

There were no qualifying pension scheme indemnity provisions in force during the 2021 financial year for our directors.

Company Details and Branches Outside the UK

The Company is a public limited company incorporated in England and Wales with registered number 09451374. The Company's registered address is 20 Eastbourne Terrace, London, England W2 6LG.

The Company has one branch outside the UK: LivaNova Plc (Italian Branch) in Italy.

Political Donations

The Company has not made any political donations, or incurred any political expenditure, in the period under review. In addition, the Company has not made any contributions to a non-EU or non-UK political party during the period under review. Moreover, we have not sought shareholder approval in relation to political donations.

Dividends and Share Buybacks

No dividend has been proposed during, or in respect of, the course of the year under review and the Company has never declared a dividend. The Company has no immediate intention to declare and pay dividends.

The Company has not purchased or acquired any of its own shares pursuant to section 659 of the Companies Act 2006 during the course of the year under review. Please see section "Relative importance of spend on pay" in this UK Annual Report.

Financial Risk Management Objectives / Policies and Hedging Arrangements

Please refer to "Note 4. Financial Risk Management" in the consolidated financial statements for information on LivaNova's financial risk management objectives/policies and hedging arrangements.

Post-Balance Sheet Events

Details regarding the Company's entry on 24 February 2022, into an Incremental Facility Amendment No. 1 to the First Lien Credit Agreement with Goldman Sachs Bank USA, relating to a €200 million bridge loan facility are set out in the following section: Consolidated Financial Statements: Note 34. Subsequent Events.

Details regarding the Company's delivery on 16 March 2022, of a borrowing notice for $220.0 million under the Credit Agreement dated 13 August 2021 in connection with the Bridge Loan Facility, which was funded on 17 March 2022, are set out in the following section: Consolidated Financial Statements: Note 34. Subsequent Events.

Details regarding the Company's entry, on 18 March 2022, into an Indemnity Letter and an Account Pledge Agreement with Barclays, further to which Barclays issued a Euro 270.0 million first demand bank guarantee which was delivered to obtain the suspension of the SNIA Litigation Guarantee, are set out in the following section: Consolidated Financial Statements: Note 34. Subsequent Events.

Details regarding the Company's delivery, on 21 March 2022, of the SNIA Litigation Guarantee, as required by the Court of Appeals of Milan, thereby satisfying the condition to obtain the suspension of the Court of Appeals judgment for the payment of damages in connection with the SNIA litigation until review of such judgment by the Italian Supreme Court, are set out in the following section: Consolidated Financial Statements: Note 34. Subsequent Events. Details regarding our entry into an Agreement and Plan of Merger on 5 April 2022 to acquire the remaining 97% equity interests in ALung Technologies, Inc., a privately held medical device company focused on creating advanced medical devices for treating respiratory failure, for a purchase price of up to $109.8 million, consisting of $9.8 million paid at closing, and contingent consideration of up to $100.0 million to be paid upon a sales-based earnout arrangement at milestone intervals, are set out in the following section: Consolidated Financial Statements: Note 34. Subsequent Events.

Future Developments / Research and Development

Details of the activities of the Company in the field of research and development and the likely future developments in the business of the Company are set out in the Business Overview of the Strategic Report.

Greenhouse Gas Reporting

We report on our Greenhouse Gas emission in our Strategic Report: 2021 Greenhouse Gas Report of this UK Annual Report.

Section 172 Statement

In accordance with section 172 of the Companies Act 2006 and the UK Corporate Governance Code 2018, the Board considers the Company's key stakeholders and takes their views and interests into account when making decisions. Please refer to the section: Strategic Report, Our Approach to Stakeholders.

Statement of Disclosure to the UK Statutory Auditor

In accordance with section 418 of the Companies Act 2006, each director at the date of this Directors' Report confirms that:

- so far as he or she is aware, there is no relevant audit information of which the Auditor is unaware; and
- he or she has taken all the steps he or she ought to have taken as director to make himself or herself aware of any relevant audit information and to establish that the Auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Auditors

PricewaterhouseCoopers LLP, the Company's Statutory Auditor (Auditor), has indicated its willingness to continue in office, and on the recommendation of the Audit Committee and in accordance with section 489 of the Companies Act 2006, a resolution to re-appoint it will be proposed at the 2022 AGM.

Statement of Directors' Responsibilities in Respect of the Financial Statements

The directors are responsible for preparing the 2021 UK Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with UK-adopted international accounting standards and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, 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 Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for Company financial statements, subject to any material departures disclosed and explained in the financial statements;

- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The directors are responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The directors are responsible for the maintenance and integrity of the Company’s website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

This Directors’ Report is approved by order of the Board by

27 April 2022

Keyna P. Skeffington, Company Secretary

Independent auditors’ report to the members of LivaNova PLC

Report on the audit of the financial statements

Opinion

In our opinion:

- LivaNova PLC’s Group financial statements and Company financial statements (the “financial statements”) give a true and fair view of the state of the Group’s and of the Company’s affairs as at 31 December 2021 and of the Group’s and Company’s loss and the Group’s cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 “Reduced Disclosure Framework”, and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the 2021 UK Annual Report (the “Annual Report”), which comprise: the Consolidated and Company Balance Sheets as at 31 December 2021; the Consolidated Statement of (Loss) Income and Company Statement of (Loss) Income, the Consolidated Statement of Comprehensive Income and Company Statement of Comprehensive Income, the Consolidated Statement of Cash Flows, and the Consolidated Statement of Changes in Equity and Company Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors’ responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC’s Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Context

The Group operates its three primary business units through a legal entity structure with distribution to over 100 countries, which are managed as a number of components. Our audit focuses on six components, over which we performed either a full scope audit or audit procedures on certain balances or transactions.

Overview

Audit scope

- The components where we conducted audit procedures, together with work performed at corporate functions and over consolidation adjustments, accounted for approximately 67% of the Group’s net sales and 90% of the Group’s loss from continuing operations before tax on an absolute basis.

Key audit matters

- Carrying value of Cardiopulmonary and Advanced Circulatory Support goodwill (Group)
- Carrying value of investments in subsidiaries (Company)

Materiality

- Overall Group materiality: $6 million (2020: $5 million) based on 0.6% of the total net sales.
- Overall Company materiality: $37.15 million (2020: $35 million) based on 1% of the total assets.
- Performance materiality: $4.5 million (2020: $3.75 million) (Group) and $27.8 million (2020: $26 million) (Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Impact of COVID-19, which was a key audit matter last year, is no longer included because of the improved performance of the Group and the Company since the pandemic began and the passage of time. Accordingly the inherent risk is no longer considered to be high. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Carrying value of Cardiopulmonary and Advanced Circulatory Support goodwill (Group)	
Refer to Notes 2 and 10 in the Group financial statements The Group holds goodwill of $579.8 million (2020: $591.6 million) in the Consolidated Balance Sheet as at 31 December 2021. There is a risk that these assets are materially overstated. Goodwill must be tested for impairment on at least an annual basis. Goodwill is also tested for impairment between annual assessments if an event occurs or circumstances change that would indicate the carrying amount may be impaired. The recoverable amount is based on subjective estimates about the future performance of the underlying cash generating units ("CGUs"). The extent of risk and estimation involved is increased where the carrying value is larger and headroom is lower; the CGUs most at risk of impairment and which required the greatest degree of estimation were the Cardiopulmonary and Advanced Circulatory Support CGUs with goodwill balances of $62.9 and $118.1 million respectively. Future cash flows included an estimate of the impact of COVID-19. Key assumptions include the expected revenue growth rates, and discount rate.	For the Cardiopulmonary ("CP") and Advanced Circulatory Support ("ACS") CGUs, our audit procedures included evaluating and challenging the appropriateness of the impairment models and reasonableness of the assumptions used. We evaluated future cash flow forecasts and the process by which they were prepared. This included: • Comparing the future cash flow forecasts used to the latest Board approved forecasts; • Evaluating the potential future impact of COVID-19 used in the future cash flow forecasts; • Testing the mechanics and mathematical integrity of the directors' impairment models; and • Performing look back assessments to consider the historical growth trends and the accuracy of the Board approved forecast. We tested key assumptions utilised in the impairment assessments, namely the expected revenue growth rates and discount rate. This testing included: • Considering the current and past performance of the CGUs, consistency with third-party industry data, and whether the assumptions were consistent with evidence obtained in other areas of the audit (both CGUs); and • Utilising experts with specialised skills and knowledge to assist in evaluating the appropriateness of the valuation methodology and the reasonableness of the discount rate assumption (ACS CGU). The directors determined that it was appropriate not to recognise an impairment charge in the year for the Cardiopulmonary and Advanced Circulatory Support CGUs. Based on our work performed we agreed with their conclusion. We also assessed the appropriateness of the related disclosures in Notes 2 and 10 of the Group financial statements, including the sensitivities provided in respect of the Cardiopulmonary and Advanced Circulatory Support CGUs. This included evaluating and reperforming the directors' sensitivity analysis to understand the impact of reasonably possible changes to key assumptions. We considered the disclosures to be reasonable. We noted no material exceptions through performing these procedures.
Carrying value of investments in subsidiaries (Company)	
Refer to Notes 2 and 5 in the Company financial statements Investments in subsidiaries of $2,979 million (2020: $2,939 million) are accounted for at cost less impairment in the Company's Balance Sheet at 31 December 2021. There is a risk that these assets are materially overstated. Investments in subsidiaries are assessed for impairment if impairment indicators exist. If such indicators exist, the recoverable amounts of the investments in subsidiaries are estimated in order to determine the extent of the impairment loss, if any. Any such impairment loss is recognised in the Company Statement of (Loss) Income. There is estimation involved in the determination of the recoverable amounts of the investments in subsidiaries. The directors assessed each investment individually for impairment. An impairment indicator was determined to be present if the carrying value of the investment exceeded the subsidiary's net assets. Where an indicator was identified, the directors determined whether the carrying value of the investment can be supported by the recoverable amount, being the higher of fair value less cost of disposal or value in use where the net present value of future cash flows are estimated based on the continued use of the asset in the business.	For each investment in the subsidiary, we evaluated the directors' assessment of whether any indicators of impairment existed. Where an investment's carrying value was greater than the net assets of the subsidiary, which was determined to be an impairment indicator, we reviewed the detailed estimates prepared by the directors to support the carrying value of the investment held. The substantive audit procedures we performed included: • verifying the mathematical integrity of the impairment model; and • evaluating the appropriateness of key assumptions used in the model, including the cash flow projections, expected revenue growth rates, and discount rate, in conjunction with our goodwill impairment testing. The directors concluded that it was appropriate not to recognize any impairment charges on the basis that the carrying values of the investments in subsidiaries held by the Company are supportable. Based on our work performed we agreed with their conclusion. We have also assessed the directors' disclosures within the Company financial statements in Note 2 and 5 and consider them

Key audit matter	How our audit addressed the key audit matter
The assessment utilised the discounted cash flow analyses developed as part of the Group goodwill impairment assessment. Future cash flows included an estimate of the impact of COVID-19. The key assumptions included in those estimates were the cash flow projections, expected revenue growth rates and discount rate.	to be appropriate. We noted no material exceptions through performing these procedures.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

We conducted full scope audits at two financially significant components: the U.S. and Italy. In addition, in order to achieve the required coverage, we performed audit and/or specified procedures over key financial statement line items at an additional two material and two other components, including net sales, cost of sales, selling, general and administrative expenses, research and development expenses, merger and integration expenses, inventory, trade receivables, trade payables, financial liabilities, income tax (expense) benefit, deferred taxes, and cash and cash equivalents. In addition, audit procedures were performed centrally in relation to various Group functions, including goodwill and in process research and development (IPR&D) intangible assets, share-based compensation plans, contingent considerations, investments, leases, litigation matters, and consolidation.

As a result of COVID-19, we were unable to visit any component teams in conducting the 2021 audit. As such, our oversight procedures included the issuance of formal written instructions to component auditors setting out the work to be performed at each location and regular communication throughout the audit cycle including regular component video conferences and calls, and review of component auditor work papers for financially significant and material components.

The components where we conducted audit procedures, together with work performed at corporate functions and over consolidation adjustments, accounted for 67% of the Group's net sales and 90% of the Group's loss from continuing operations before tax on an absolute basis.

The Company is incorporated in the UK, with a branch in Italy. We ensured that sufficient coverage was obtained through our testing of the UK entity and Italy branch. Certain balances were in scope for the Group audit, including cash and cash equivalents, taxation, and operating expenses, and were audited centrally to Group materiality. The remainder of the balances were audited to Company materiality.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements - Group	Financial statements - Company
Overall materiality	$6 million (2020: $5 million).	$37.15 million (2020: $35 million).
How we determined it	Based on approximately 0.6% of the total net sales	Based on approximately 1% of the total assets
Rationale for benchmark applied	As the Group has never paid a dividend and the Group has no immediate intention to declare and pay dividends and adjusted net sales is the most heavily weighted metric in the determination of directors' remuneration, we consider total net sales to be an appropriate benchmark.	As the Company's principal activity is to hold investments in subsidiaries, the Company is not profit oriented. Therefore, total assets are used as the benchmark.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between $4 million and $5.25 million.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2020: 75%) of overall materiality, amounting to $4.5 million (2020: $3.75 million) for the Group financial statements and $27.8 million (2020: $26 million) for the Company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above $0.6 million (Group audit) (2020: $0.4 million) and $1.85 million (Company audit) (2020: $1.7 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- agreeing the underlying cash flow projections to the Board approved forecasts, assessing how these forecasts are compiled, and evaluating the accuracy of the Board approved forecasts;
- evaluating the key assumptions within the Board approved forecasts;
- considering liquidity and available financial resources, including the probability of the exercise of the Cash Exchangeable Senior Notes' exchange feature by the holders;

- performing a breakeven assessment for forecast revenue, in order to assess the extent of headroom in comparison to the principal risks facing the business, including those in relation to COVID-19; and
- reviewing the covenants applicable to the Group's borrowings and assessing whether the forecasts supported ongoing compliance with the covenants.

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 Group's and 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.

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.

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

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

Reporting on other information

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

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

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Directors' Remuneration

In our opinion, the part of the Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

In preparing the financial statements, the directors are responsible for assessing the Group's and 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 Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

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.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to product safety (including but not limited to environmental laws and regulations and the U.S. Food and Drug Administration regulation), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and potential management bias in accounting estimates. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- evaluation and testing of the operating effectiveness of management's controls designed to prevent and detect irregularities;

- discussions with management, legal counsel and internal audit, including inquiry regarding known or suspected instances of non-compliance with laws and regulations and fraud, and review of the reports made by internal audit;
- reviewing relevant meeting minutes, including those of the Board of directors and the Audit and Compliance Committee;
- challenging assumptions made by the directors in its significant accounting estimates, in particular in relation to the impairment assessments for the Group’s goodwill and Company’s investments in subsidiaries (see related key audit matters below);
- identifying and testing the validity of journal entries, in particular any journal entries posted with unusual account combinations, journals posted with unusual description journals posted by senior management and consolidation journals; and
- assessment of matters reported on the Group’s whistleblowing helpline.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, 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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

London 27 April 2022

Nigel Comello, Senior Statutory Auditor

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

LIVANOVA PLC AND SUBSIDIARIES

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Consolidated Statement of (Loss) Income

(In thousands, except per share amounts)

		Year Ended 31 December	
	Note	2021	2020 Restated[1]
Net sales	27	$ 1,035,365	$ 934,241
Costs and expenses:			
Cost of sales	29	329,184	338,307
Selling, general and administrative	29	477,260	445,920
Research and development		183,485	151,895
Exceptional items	31	71,850	168,004
Operating loss from continuing operations		(26,414)	(169,885)
Finance income		435	131
Finance expense		(77,308)	(59,827)
Loss on debt extinguishment	17	(60,238)	(1,407)
Foreign exchange and other gains/(losses)		13,202	(12,660)
Share of loss from equity accounted investments		(148)	(264)
Loss from continuing operations before tax		(150,471)	(243,912)
Income tax benefit	24	13,032	61,046
Loss from continuing operations		(137,439)	(182,866)
Loss from discontinued operations, net of tax		-	(1,493)
Loss attributable to owners of the parent		$ (137,439)	$ (184,359)
Basic loss per share:			
Continuing operations	26	$ (2.71)	$ (3.76)
Discontinued operations	26	-	(0.04)
		$ (2.71)	$ (3.80)
Diluted loss per share:			
Continuing operations	26	$ (2.71)	$ (3.76)
Discontinued operations	26	-	(0.04)
		$ (2.71)	$ (3.80)
Shares used in computing basic loss per share	26	50,633	48,592
Shares used in computing diluted loss per share	26	50,633	48,592

[1] The consolidated statement of (loss) income for the year ended 31 December 2020 has been restated and reclassified. For further details refer to "Note 1. Nature of Operations " and "Note 2. Basis of Preparation, Use of Accounting Estimates and Significant Accounting Policies, " respectively, in our consolidated financial statements and accompanying notes, beginning on page 101 of this Annual Report.

Consolidated Statement of Comprehensive Income

(In thousands)

	Note	Year Ended 31 December 2021	2020 Restated(1)
Loss attributable to owners of the parent		$ (137,439)	$ (184,359)
Items of other comprehensive income / (loss) that will be subsequently reclassified to profit or loss:			
Cash flow hedges for interest rate fluctuations	15	-	113
Tax impact		-	(27)
Cash flow hedges for exchange rate fluctuations	15	(3,997)	2,266
Tax impact		733	(546)
Foreign currency translation differences		(5,965)	23,780
Total items of other comprehensive (loss) income that will be subsequently reclassified to profit or loss		(9,229)	25,586
Items of other comprehensive loss that will not be subsequently reclassified to profit or loss:			
Remeasurement of net assets for defined benefits	23	1,095	(1,321)
Tax impact		(163)	339
Total items of other comprehensive income (loss) that will not be subsequently reclassified to profit or loss		932	(982)
Total other comprehensive (loss) income, net of taxes		(8,297)	24,604
Total comprehensive loss for the year, net of taxes attributable to owners of the parent		$ (145,736)	$ (159,755)
Total comprehensive loss from discontinued operations for the year, net of taxes attributable to owners of the parent		-	(1,493)
Total comprehensive loss from continuing operations for the year, net of taxes attributable to owners of the parent		$ (145,736)	$ (158,262)

(1) The consolidated statement of comprehensive income for the year ended 31 December 2020 has been restated. For further details refer to "Note 1. Nature of Operations" in our consolidated financial statements and accompanying notes, beginning on page 101 of this Annual Report.

Consolidated Balance Sheet

(In thousands)

	Note	31 December 2021	31 December 2020 Restated(1)	1 January 2020 Restated(1)
ASSETS				
Non-current assets				
Property, plant and equipment	9	$ 141,100	$ 156,275	$ 168,921
Intangible assets	10	408,523	445,166	537,764
Goodwill	10	579,762	591,639	582,324
Right-of-use assets	18	40,120	50,378	55,194
Equity investments in associates		787	393	451
Financial assets	12	24,640	38,284	31,281
Derivative financial instruments	15	-	72,302	-
Deferred tax assets	24	107,869	82,551	76,151
Other assets		4,274	3,664	2,881
Total non-current assets		1,307,075	1,440,652	1,454,967
Current assets				
Inventories	13	105,840	115,285	156,799
Trade receivables	14	185,354	184,356	257,769
Other receivables	14	30,240	19,218	25,253
Derivative financial instruments	15	106,629	2,053	115
Other financial assets	12	5,503	3,522	3,236
Tax receivable		37,621	60,240	35,608
Cash and cash equivalents		207,993	252,832	61,137
Total current assets		679,180	637,506	539,917
Assets held for sale	7	-	79,973	-
Total assets		$ 1,986,255	$ 2,158,131	$ 1,994,884
LIABILITIES AND EQUITY				
Equity				
Share capital		$ 82,295	$ 76,300	$ 76,257
Group reconstruction reserve	16	2,046,497	1,729,764	1,729,764
Share premium		33,257	27,361	23,243
Treasury shares		(650)	(1,034)	(1,263)
Accumulated other comprehensive (loss) income	16	(5,284)	3,013	(21,591)
Accumulated deficit		(1,091,312)	(986,413)	(830,164)
Total equity		$ 1,064,803	$ 848,991	$ 976,246
Non-current liabilities				
Derivative financial instruments	15	$ -	$ 121,940	$ 61

	Note	31 December 2021	31 December 2020 Restated(1)	1 January 2020 Restated(1)
Financial liabilities	17	9,786	642,298	260,103
Contingent consideration	20	86,830	89,850	114,396
Litigation provision liability	20	6,625	7,878	24,378
Other liabilities	19	9,337	9,365	9,212
Provisions	20	45,480	53,779	10,584
Long-term lease liabilities	18	36,083	42,230	46,218
Provision for employee severance indemnities and other employee benefit provisions	23	21,538	19,748	23,261
Deferred taxes liabilities	24	7,551	9,358	16,580
Total non-current liabilities		223,230	996,446	504,793
Current liabilities				
Trade payables		66,754	73,099	85,038
Other payables	21	139,140	102,527	140,427
Derivative financial instruments	15	183,109	7,372	3,173
Other financial liabilities	17	229,637	13,343	77,326
Current litigation provision liability	20	32,845	31,625	146,026
Provisions	20	20,316	28,079	37,820
Current lease liabilities	18	11,281	11,271	11,316
Tax payable		15,140	16,456	12,719
Total current liabilities		698,222	283,772	513,845
Liabilities held for sale	7	-	28,922	-
Total liabilities and equity		$ 1,986,255	$ 2,158,131	$ 1,994,884

(1) The consolidated balance sheet as of 31 December 2020 and 1 January 2020 have been restated. For further details refer to "Note 1. Nature of Operations" in our consolidated financial statements and accompanying notes, beginning on page 101 of this Annual Report.

The financial statements on pages 94 to 167 were approved by the Board and were signed on its behalf on 27 April 2022 by:

DAMIEN MCDONALD, CHIEF EXECUTIVE OFFICER & DIRECTOR

Consolidated Statement of Changes in Equity

(In thousands)

	Note	Ordinary Number of Shares	Share Capital	Group Reconstruction Reserve	Share Premium
Balance at 1 January 2020		49,411	$ 76,257	$ 1,729,764	$ 23,243
Correction of error (net of tax)		-	-	-	-
Restated total equity at the beginning of the financial year		49,411	76,257	1,729,764	23,243
Share-based compensation plans	22	109	140	-	4,021
Balance at Cancellation of shares		(73)	(97)	-	97
Total transactions with owners recognised directly in shareholders' equity		36	43	-	4,118
Net loss(1)		-	-	-	-
Other comprehensive income	16	-	-	-	-
Total comprehensive income (loss) for the year(1)		-	-	-	-
Balance at 31 December 2020(1)		49,447	76,300	1,729,764	27,361
Share issuances		4,182	5,808	316,733	-
Share-based compensation plans	22	133	187	-	5,896
Total transactions with owners recognised directly in shareholders' equity		4,315	5,995	316,733	5,896
Net loss		-	-	-	-
Other comprehensive loss	16	-	-	-	-
Total comprehensive loss for the year		-	-	-	-
Balance at 31 December 2021		53,762	$ 82,295	$ 2,046,497	$ 33,257

	Treasury Shares	Accumulated Other Comprehensive (Loss) Income	Accumulated Deficit(1)	Total Equity(1)
Balance at 1 January 2020	$ (1,263)	$ (21,591)	$ (824,411)	$ 981,999
Correction of error (net of tax)	-	-	(5,753)	(5,753)
Restated total equity at the beginning of the financial year	(1,263)	(21,591)	(830,164)	976,246
Share-based compensation plans	229	-	28,110	32,500
Balance at Cancellation of shares	-	-	-	-
Total transactions with owners recognised directly in shareholders' equity	229	-	28,110	32,500

	Treasury Shares	Accumulated Other Comprehensive (Loss) Income	Accumulated Deficit[1]	Total Equity[1]
Net loss[1]	-	-	(184,359)	(184,359)
Other comprehensive income	-	24,604	-	24,604
Total comprehensive income (loss) for the year[1]	-	24,604	(184,359)	(159,755)
Balance at 31 December 2020[1]	(1,034)	3,013	(986,413)	848,991
Share issuances	-	-	-	322,541
Share-based compensation plans	384	-	32,540	39,007
Total transactions with owners recognised directly in shareholders' equity	384	-	32,540	361,548
Net loss	-	-	(137,439)	(137,439)
Other comprehensive loss	-	(8,297)	-	(8,297)
Total comprehensive loss for the year	-	(8,297)	(137,439)	(145,736)
Balance at 31 December 2021	$ (650)	$ (5,284)	$ (1,091,312)	$ 1,064,803

[1] Accumulated deficit and total equity as of 31 December 2020 and 1 January 2020, and net loss for the year ended 31 December 2020 have been restated. For further details refer to "Note 1. Nature of Operations" in our consolidated financial statements and accompanying notes, beginning on page 101 of this Annual Report.

Consolidated Statement of Cash Flows

(In thousands)

	Note	Year Ended 31 December 2021	2020 Restated[1]
Cash Flows From Operating Activities:			
Loss for the year		$ (137,439)	$ (184,359)
Non-cash items included in loss:			
Loss on debt extinguishment		60,238	1,407
Depreciation and amortisation	9, 10	51,053	62,447
Depreciation of lease assets	18	15,919	14,429
Remeasurement of contingent consideration to fair value	20	564	(20,463)
Remeasurement of derivative instruments		17,618	22,085
Loss on sale of Heart Valve business	7	26,345	-
Share-based compensation	22	41,380	36,323
Impairment of long-lived assets	7,9,10	-	96,632
Amortisation on income taxes payable on intercompany transfers		-	2,171
Net finance expense		76,873	59,696
Income tax benefit		(13,032)	(61,046)
Amortisation of debt issuance costs		16,657	9,710
Other non-cash items		(354)	(1,029)
Changes in operating assets and liabilities:			
Accounts receivable, net		(15,745)	58,796
Inventories		4,484	5,438
Other current and non-current assets		24,127	(39,642)
Litigation provision liability	20	247	(131,258)
Tax payable		(21,827)	49,114
Current and non-current liabilities		(12,395)	(8,764)
Cash provided by (used in) operations		134,713	(28,313)
Interest paid		(34,121)	(29,971)
Income taxes received / (paid)		13,583	(7,493)
Net cash provided by (used in) operating activities		114,175	(65,777)
Cash Flow From Investing Activities:			
Proceeds from sale of Heart Valves, net of cash disposed		42,945	-
Proceeds from sale of Respicardia investment and loan	12	23,057	-
Purchase of property, plant, equipment		(23,300)	(30,461)
Acquisitions, net of cash acquired		(1,694)	(1,719)
Payment of contingent consideration		(5,249)	(12,018)
Purchase of intangible assets		-	(4,563)
Proceeds from asset sales		-	1,433
Purchases of investments		(3,653)	(3,184)
Loans to investees		-	(2,691)
Other		(451)	(659)
Net cash provided by (used in) investing activities		31,655	(53,862)
Cash Flows From Financing Activities:			
Proceeds from issuance of ordinary shares, net	16	322,541	-
Payment of make-whole premium on long-term debt obligations		(35,594)	-

	Note	Year Ended 31 December 2021	2020 Restated[1]
Proceeds from short-term borrowing (maturities greater than 90 days)		-	47,053
Repayments of short-term borrowing (maturities greater than 90 days)		-	(44,838)
Proceeds from long-term debt obligations	17	-	886,899
Repayment of long-term debt obligations	17	(452,256)	(482,065)
Purchase of capped call	17	-	(43,096)
Principal payments of lease liabilities	18	(11,630)	(13,645)
Shares repurchased from employees for minimum tax withholding		(12,942)	(5,601)
Debt issuance costs		(2,450)	(23,736)
Closing adjustment payment for sale of CRM business		-	(14,891)
Other financial assets and liabilities		4,467	3,049
Net cash (used in) provided by financing activities		(187,864)	309,129
Effect of exchange rate changes on cash and cash equivalents		(2,805)	2,205
Net (decrease) increase in cash and cash equivalents		(44,839)	191,695
Cash and cash equivalents at beginning of year		252,832	61,137
Cash and cash equivalents at end of year		$ 207,993	$ 252,832

(1) The consolidated statement of cash flows for the year ended 31 December 2020 has been restated. For further details refer to "Note 1. Nature of Operations" in our consolidated financial statements and accompanying notes, beginning on page 101 of this Annual Report.

See accompanying notes to the consolidated financial statements

Notes to the Consolidated Financial Statements

Note 1. Nature of Operations

Company information.

LivaNova PLC (collectively with its subsidiaries, the "Company," "LivaNova," "Group," "we" or "our") is a public limited company incorporated in the United Kingdom under the Companies Act 2006 (Registration number 09451374). The Company is domiciled in England and Wales in the United Kingdom and its registered address is 20 Eastbourne Terrace, London, W2 6LG, United Kingdom.

Background.

LivaNova PLC was organized under the laws of England and Wales on 20 February 2015 for the purpose of facilitating the business combination of Cyberonics, Inc., a Delaware corporation and Sorin S.p.A., a joint stock company organized under the laws of Italy. As a result of the business combination, LivaNova, headquartered in London, became the holding company of the combined businesses of Cyberonics and Sorin. This business combination became effective on 19 October 2015, at which time LivaNova's Ordinary Shares were listed for trading on Nasdaq and on the London Stock Exchange (LSE) as a standard listing under the trading symbol "LIVN." Upon the consummation of the business combination of Cyberonics and Sorin, the historical financial statements of Cyberonics became the Company's historical financial statements. On 23 February 2017, we announced our voluntary cancellation of our standard listing of our shares with the LSE due to the low trading volume of our shares and trading ceased at the close of business on 4 April 2017. We continue to serve our shareholders through our listing on the Nasdaq.

Description of the business.

LivaNova is a global medical device company focused on the development and delivery of important therapeutic solutions for the benefit of patients, healthcare professionals and healthcare systems throughout the world. We design, develop, manufacture and sell innovative products and therapies that are consistent with our mission to provide hope to patients through innovative medical technologies, delivering life-changing improvements for both the Head and Heart.

Business segments.

LivaNova is comprised of three reportable segments: Cardiopulmonary, Neuromodulation and Advanced Circulatory Support, corresponding to our primary business units. Other includes the results of our Heart Valves business, which was disposed of on 1 June 2021, and corporate shared service expenses for finance, legal, human resources, information technology and corporate business development.

Effective in the fourth quarter of 2021, LivaNova changed its reportable segments corresponding to changes in how the Company's chief operating decision maker regularly reviews information, allocates resources and assesses performance. The segment financial information presented herein reflects these changes for all periods presented. The Company's changes to its reportable segments are summarised as follows:

- The Company's Advanced Circulatory Support business is no longer assessed as part of the Company's previously reported Cardiovascular reportable segment and is evaluated independently as its own reportable segment.
- The Company's Cardiopulmonary business is no longer assessed as part of the Company's previously reported Cardiovascular reportable segment and is evaluated independently as its own reportable segment.
- The Company's Heart Valves business, which was disposed of on 1 June 2021, is now included within Other.

Revision of Previously Issued Financial Statements

During 2021, the Company identified and collected an error related to foreign currency exchange rates utilized to calculate inventory and cost of sales for the years ended 31 December 2017 through 2020. We evaluated whether our previously issued consolidated financial statements were materially misstated due to these errors. Accordingly, we have restated our financial statements for the year ended 31 December 2020, as shown below (in thousands):

Consolidated Statement of (Loss) Income

	Year Ended 31 December 2020		
	As Previously Reported	Adjustments	As Restated[1]
Cost of sales	$ 309,777	$ 4,035	$ 313,812
Operating loss from continuing operations	(165,850)	(4,035)	(169,885)
Loss from continuing operations before tax	(239,877)	(4,035)	(243,912)
Income tax benefit	60,822	224	61,046
Loss from continuing operations	(179,055)	(3,811)	(182,866)
Loss attributable to owners of the parent	(180,548)	(3,811)	(184,359)
Basic and diluted loss per share:			
Continuing operations	$ (3.68)	$ (0.08)	$ (3.76)
Discontinued operations	(0.04)	-	(0.04)
	$ (3.72)	$ (0.08)	$ (3.80)

[1] As Restated amounts are prior to reclassifications, which are described in "Note 2. Basis of Preparation, Use of Accounting Estimates and Significant Accounting Policies."

Consolidated Statement of Comprehensive Income

	Year Ended 31 December 2020		
	As Previously Reported	Adjustments	As Restated
Loss attributable to owners of the parent	$ (180,548)	$ (3,811)	$ (184,359)
Total comprehensive loss from continuing operations for the year, net of taxes attributable to owners of the parent	(154,451)	(3,811)	(158,262)

Consolidated Balance Sheet

	31 December 2020		
	As Previously Reported	Adjustments	As Restated
Inventories	$ 126,675	$ (11,390)	$ 115,285
Total current assets	648,896	(11,390)	637,506
Total assets	2,169,521	(11,390)	2,158,131
Deferred tax liabilities	11,184	(1,826)	9,358
Total non-current liabilities	998,272	(1,826)	996,446
Accumulated deficit	(976,849)	(9,564)	(986,413)
Total equity	858,555	(9,564)	848,991
Total liabilities and equity	2,169,521	(11,390)	2,158,131
	1 January 2020		
	As Previously Reported	Adjustments	As Restated
Inventories	$ 164,154	$ (7,355)	$ 156,799
Total current assets	547,272	(7,355)	539,917
Total assets	2,002,239	(7,355)	1,994,884
Deferred tax liabilities	18,182	(1,602)	16,580
Total non-current liabilities	506,395	(1,602)	504,793
Accumulated deficit	(824,411)	(5,753)	(830,164)
Total equity	981,999	(5,753)	976,246
Total liabilities and equity	2,002,239	(7,355)	1,994,884

Consolidated Statement of Changes in Equity

	As Previously Reported	
	Accumulated Deficit	Total Stockholders' Equity
31 December 2019	$ (824,411)	$ 981,999
Total comprehensive income (loss) for the year	(180,548)	(180,548)
31 December 2020	(976,849)	858,555

	Adjustments		As Restated	
	Accumulated Deficit	Total Stockholders' Equity	Accumulated Deficit	Total Stockholders' Equity
31 December 2019	$ (5,753)	$ (5,753)	$ (830,164)	$ 976,246
Total comprehensive income (loss) for the year	(3,811)	(3,811)	(184,359)	(184,359)
31 December 2020	(9,564)	(9,564)	(986,413)	848,991

Consolidated Statement of Cash Flows

	Year Ended 31 December 2020		
	As Previously Reported	Adjustments	As Restated
Loss for the year	$ (180,548)	$ (3,811)	$ (184,359)
Income tax benefit	(60,822)	(224)	(61,046)
Changes in operating assets and liabilities:			
Inventories	1,403	4,035	5,438

	Year Ended 31 December 2020		
	As Previously Reported	Adjustments	As Restated
Net cash provided by (used in) operating activities	(65,777)	-	(65,777)

Note 2. Basis of Preparation, Use of Accounting Estimates and Significant Accounting Policies

Basis of Preparation.

The consolidated financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards, and have been prepared on a going concern basis.

On 31 December 2020, the EU-adopted IFRS was brought into UK law and became UK-adopted international accounting standards, with future changes to IFRS being subject to endorsement by the UK Endorsement Board. The consolidated financial statements transitioned to UK-adopted international accounting standards on 1 January 2021.

Accounting policies have been applied consistently, other than where new policies have been adopted, and are presented on a historical cost basis, except for investments in equity instruments in privately-held companies, derivative financial instruments, contingent consideration liabilities, pension obligations, assets and liabilities held for sale and share awards that have been measured at fair value. The consolidated financial statements are presented in U. S. dollars and all values are rounded to the nearest thousands, except where otherwise indicated.

Reclassifications.

We have reclassified certain prior period amounts on the consolidated statements of income (loss), the consolidated balance sheets and the consolidated statements of cash flows for comparative purposes. These reclassifications did not have a material effect on our financial condition, results of operations or cash flows. The prior period reclassification on the consolidated statements of income (loss) are summarised and presented below (in thousands):

- Product remediation has been reclassified to cost of sales in order to conform to the Group’s presentation of the consolidated statement of (loss) income for the year ended 31 December 2021, as product remediation expense is deemed insufficient for discrete presentation,
- Amortisation of intangible assets have been reclassified from selling, general and administrative and research and development to cost of sales in order to conform to the Group’s revised U.S. GAAP presentation of the consolidated statement of income (loss) where amortization of intangible assets are classified based on the nature of the underlying intangible assets, and
- Loss on debt extinguishment has been reclassified from foreign exchange and other gains/(losses) to loss on debt extinguishment in order to conform to the Group’s presentation of the consolidated statement of (loss) income for the year ended 31 December 2021, as loss on on debt extinguishment is deemed sufficient for discrete presentation.

	Year Ended 31 December 2020		
	As Restated	Reclassifications	Current Presentation
Net sales	$ 934,241	$ -	$ 934,241
Costs and expenses:			
Cost of sales	313,812	24,495	338,307
Product remediation	7,860	(7,860)	-
Selling, general and administrative	447,759	(1,839)	445,920
Research and development	166,691	(14,796)	151,895
Exceptional items	168,004	-	168,004
Operating loss from continuing operations	(169,885)	-	(169,885)
Finance income	131	-	131
Finance expense	(59,827)	-	(59,827)
Loss on debt extinguishment	-	(1,407)	(1,407)
Foreign exchange and other gains/(losses)	(14,067)	1,407	(12,660)
Share of loss from equity accounted investments	(264)	-	(264)
Loss from continuing operations before tax	$ (243,912)	$ -	$ (243,912)

Going Concern.

As of 31 March 2022, the Group had cash and cash equivalents of $128.7 million. Based on our current business plan, we believe that our existing cash and cash equivalents and future cash generated from operations will be sufficient to fund our expected operating needs, working capital requirements, R&D opportunities, capital expenditures and debt service requirements over the next twelve months from the issuance date of these consolidated financial statements. We regularly review our capital needs and consider various investing and financing alternatives to support our requirements. Additionally, as of 31 March 2022, we are in compliance with the financial covenants associated with our debt facilities, and the Group’s forecasts support ongoing compliance with the covenants. Therefore, it is appropriate to adopt the going concern basis in preparing these consolidated financial statements.

Since early 2020, COVID-19 has caused and may continue to cause unpredictable demand for our products. Throughout the pandemic, healthcare customers have diverted medical resources and priorities towards the treatment of COVID-19, and public health bodies have delayed elective procedures, which has negatively impacted the usage of our products. Further, some people have avoided seeking treatment for non-COVID-19 procedures and hospitals and clinics have experienced staffing shortages, which have negatively impacted the demand for our products. While we have seen improvement during 2021, we continue to experience ongoing COVID-19 related headwinds and are monitoring the potential for various strains of the virus to cause a resumption of high levels of infection and hospitalization, that in turn, may affect the demand for our products. The extent to which the COVID-19 pandemic continues to impact the Company’s results of operations and financial condition will depend on future developments that are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity and longevity of COVID-19 and its variants, the resurgence of COVID-19 in regions that have begun to recover from the initial impact of the pandemic, the impact of COVID-19 on economic activity and the actions to contain its impact on public health and the global economy.

In February 2022, Russia launched an invasion in Ukraine which caused us to assess our ability to sell in the market due to international sanctions, to consider the potential impact of raw material sourced from the region, and to determine whether we are able to transact in a compliant fashion. Although the region represented 1% of our total net sales for 2021, the Russian invasion of Ukraine has increased economic uncertainties, and a significant and/or continuation of the conflict could have a material, global impact on our operating results. In addition, our Russian employees and local subsidiary are subject to evolving laws and regulations imposed by the Russian authorities in response to international sanctions.

On 17 June 2020, our wholly-owned subsidiary, LivaNova USA, Inc., issued $287.5 million aggregate principal amount of 3.00% Cash Exchangeable Senior Notes due in 2025 (the "Notes"). Holders of the Notes are entitled to exchange the Notes at any time during specified periods, at their option. This includes the right to exchange the Notes during any calendar quarter, if the last reported sale price of LivaNova's ordinary shares, with a nominal value of £1.00 per share, is greater than or equal to 130% of the exchange price, or $79.27 per share for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter. The exchange condition was satisfied on 20 December 2021, which allowed the holders of the Notes to request to exchange the Notes through 31 March 2022. As a result, we reclassified our obligations from the Notes and the associated embedded exchange feature derivative as a current liability on the consolidated balance sheet as of 31 December 2021. However, no holders elected to exchange the Notes. The exchange condition was not satisfied during the quarterly period ending 31 March 2022. As such, the Notes are not currently exchangeable. The Notes are exchangeable solely into cash and are not exchangeable into ordinary shares of LivaNova or any other security under any circumstances. The initial exchange rate for the Notes is 16.3980 ordinary shares per $1,000 principal amount of Notes (equivalent to an initial exchange price of approximately $60.98 per share). The exchange rate is subject to adjustment in certain circumstances, as set forth in the indenture governing the Notes. If holders elect to exchange their Notes in any future periods in the event an exchange condition is met, we would be required to settle our exchange obligation through the payment of cash, which could adversely affect our liquidity. Refer to "Note 17. Financial Liabilities" for further information.

On 21 February 2022, the Court of Appeal notified the Company that it granted the Company a suspension with respect to the payment of damages in the amount of €453.6 million (approximately U.S. $514.6 million at 31 December 2021) in the SNIA litigation until a decision has been reached on our appeal to the Italian Supreme Court. This suspension is subject to providing a first demand bank surety of €270.0 million (approximately U.S. $306.2 million) within 30 calendar days.

On 24 February 2022, LivaNova PLC and its wholly-owned subsidiary, LivaNova USA, Inc. entered into the $220.0 million Bridge Loan Facility, which was funded on 17 March 2022. The proceeds of the Bridge Loan Facility were used by LivaNova to post a portion of the cash collateral supporting the SNIA Litigation Guarantee.

On 18 March 2022, LivaNova PLC, acting through its Italian branch, entered into an Indemnity Letter and an Account Pledge Agreement with Barclays, further to which Barclays issued a Euro 270.0 million first demand bank guarantee which was delivered to obtain the suspension of the SNIA Litigation Guarantee. As security for the SNIA Litigation Guarantee, LivaNova is required to grant cash collateral to Barclays in U.S. Dollars in an amount equal to the USD equivalent of 105% of the amount of the SNIA Litigation Guarantee.

On 21 March 2022, LivaNova delivered the SNIA Litigation Guarantee as required by the Court of Appeals of Milan, thereby satisfying the condition to obtain the suspension of the Court of Appeals judgment for the payment of damages in connection with the SNIA litigation until review of such judgment by the Italian Supreme Court.

Fiscal Year-End.

LivaNova's fiscal year ends 31 December.

Consolidation.

The accompanying consolidated financial statements include LivaNova, our wholly owned subsidiaries and associates and the LivaNova PLC Employee Benefit Trust. All significant intercompany accounts and transactions have been eliminated.

Equity Method.

Under the equity method of accounting, the investments in associates and joint ventures are initially recognised at cost and adjusted thereafter to recognise the Company's share of the post-acquisition profits or losses of the investee in profit or loss, and the Company's share of movements in other comprehensive income (OCI) (loss) of the investee in OCI (loss). Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

Unrealised gains on transactions between the Company and its associates and joint ventures are eliminated to the extent of the Company's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Goodwill.

We allocate the amounts we pay for an acquisition to the assets we acquire and liabilities we assume based on their fair values at the date of acquisition, including property, plant and equipment, inventories, accounts receivable, long-term debt, and identifiable intangible assets which either arise from a contractual or legal right or are separable from goodwill. We base the fair value of identifiable intangible assets acquired in a business combination, including in-process research and development, on detailed valuations that use information and assumptions provided by management, which consider management's best estimates of inputs and assumptions that a market participant would use. We allocate any excess purchase price over the fair value of the net tangible and identifiable intangible assets acquired to goodwill. Transaction costs associated with these acquisitions are expensed as incurred and are reported as selling, general and administrative on the consolidated statement of (loss) income. We recognise adjustments to the provisional amounts identified during the measurement period with a corresponding adjustment to goodwill in the reporting year in which the adjustment amounts are determined. The effect on earnings of changes in depreciation, amortisation or other income effects, if any, as a result of the change to the provisional amounts are recorded in the same year's consolidated financial statements, calculated as if the accounting had been completed at the acquisition date.

Intangible Assets, Other than Goodwill.

Intangible assets shown on the consolidated balance sheet consist of finite-lived and indefinite-lived assets expected to generate future economic benefits and are recorded at their respective fair values as of their acquisition date. Finite-lived intangible assets consist primarily of developed technology and technical capabilities, including patents, related know-how and licensed patent rights, trade names, customer relationships and favourable leases acquired in acquisitions. Customer relationships consist of relationships with hospitals and cardiac surgeons in the countries where we operate. Indefinite-lived intangible assets other than goodwill are composed of IPR&D assets acquired in acquisitions. We estimate the useful lives of our intangible assets, which requires management judgement. We amortise our finite-lived intangible assets over their useful lives using the straight-line method.

We evaluate our finite-lived and indefinite-lived intangible assets each reporting year to determine whether events and circumstances indicate either a different useful life or impairment, respectively. For finite-lived intangible assets, if we change our estimate of the useful life of an asset, we amortise the carrying amount over the revised remaining useful life.

Foreign Currency.

We determine the functional currency of our subsidiaries that exist and operate in different economic and currency environments based on the primary economic environment in which the subsidiary operates, that is, the currency of the environment in which an entity primarily generates and expends cash. Our significant foreign subsidiaries are located in Europe and the U.S. The functional currency of our significant European subsidiaries is the Euro, and the functional currency of our significant U.S. subsidiaries is the U.S. dollar.

Assets and liabilities of subsidiaries whose functional currency is not the U.S. dollar are translated into U.S. dollars based on a combination of both current and historical exchange rates, while their revenues earned and expenses incurred are translated into U.S. dollars at average period exchange rates. Translation adjustments are included as accumulated other comprehensive income (AOCI) on the consolidated balance sheet. Gains and losses arising from transactions denominated in a currency different from an entity's functional currency are included in FX and other losses on our consolidated statement of (loss) income. Taxes are not provided on cumulative translation adjustments, as substantially all translation adjustments are related to earnings which are intended to be indefinitely reinvested in the countries where earned. Foreign exchange and other losses on the consolidated statement of (loss) income consists primarily of gains and losses arising from transactions denominated in a currency different from an entity's functional currency and foreign currency exchange rate and other derivative gains and losses.

Foreign currency differences arising from translation are recognised in the consolidated statement of (loss) income.

The Euro and GBP exchange rate to the USD used in preparing the Company financial statements was as follows:

	Weighted Average Rate	Closing Rate	Weighted Average Rate	Closing Rate
	Euro	Euro	GBP	GBP
Year ended 31 December 2021	0.845433	0.881410	0.726888	0.739740
Year ended 31 December 2020	0.877417	0.815100	0.779623	0.732120

Financial Instruments.

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are offset with the net amount reported in the consolidated balance sheet only if there is a current enforceable legal right to offset the recognised amounts and intent to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(a) Financial Assets

Initial Recognition and Measurement.

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, investments, financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus, in the case of assets not at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date on which the Company commits to purchase or sell the asset.

The subsequent measurement and impairment of financial assets depends on their classification as described below:

Financial Assets at Fair Value Through Profit or Loss.

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held-for trading if they are acquired for the purpose of selling or re-purchasing in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. We use freestanding derivative forward contracts to offset exposure to the variability of the value associated with assets and liabilities denominated in a foreign currency. These derivatives are not designated as hedges, and therefore changes in the value of these forward contracts are recognised in income statement, thereby offsetting the current net income (loss) effect of the related change in value of foreign currency denominated assets and liabilities.

Changes in the fair value of our investments in equity instruments held at fair value are recognised through profit or loss.

Loans and Receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The receivable balance consists of trade receivables from direct customers and distributors and loans issued. We maintain an expected credit loss provision for expected credit losses based on our estimates of the ability of customers to make required payments, historical credit experience, existing economic conditions and expected future trends. We write off uncollectable accounts against the provision when all reasonable collection efforts have been exhausted. Loans, together with the associated provision are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. The losses arising from impairment are recognised in the consolidated statement of (loss) income in cost of sales or other operating expenses for receivables.

Collection periods for trade receivables vary significantly due to the nature of a customer (e.g. government or private) and its geographic location. LivaNova may utilize non-recourse and with-recourse factoring arrangements as a part of its funding policy; however, as at 31 December 2021 and 31 December 2020, there are no factoring arrangements outstanding.

Refer to "Note 14. Trade Receivables and Other Receivables" for further information.

Financial Asset Derecognition.

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired, or

- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through arrangement, and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(b) Financial Liabilities

Initial Recognition and Measurement.

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings (bank debt), payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans, borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables, loans and bank debt including bank overdrafts, and derivative financial instruments.

The measurement of financial liabilities depends on their classification, as follows:

Financial Liabilities at Fair Value Through Profit or Loss.

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held-for-trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9, which the Company has elected to apply. Gains or losses on liabilities held-for-trading are recognised in the consolidated statement of (loss) income. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Changes in the fair value of our contingent consideration liability are recognised through profit or loss.

Loans and Borrowings (bank debt).

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the consolidated statement of (loss) income when the liabilities are de-recognised, as well as through the EIR method amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the consolidated statement of (loss) income.

Financial Guarantee Contracts.

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs, because the specified debtor fails to make a payment when due, in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, and then adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured through profit or loss at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

Financial Liability Derecognition.

A financial liability is de-recognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of (loss) income.

Derivative Financial Instruments and Hedge Accounting.

We use currency exchange rate derivative contracts and interest rate derivative instruments to manage the impact of currency exchange and interest rate changes on the consolidated statement of (loss) income and the consolidated statement of cash flows. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. We evaluate hedge effectiveness at inception and on an ongoing basis, based upon a comparison between the actual amounts and the forecasted amounts of the hedged items, for each currency included in the hedge accounting model. If a derivative is no longer expected to be highly effective, hedge accounting is discontinued. Hedge ineffectiveness, if any, is recorded in the consolidated statement of (loss) income. Cash flows from derivative contracts are reported as operating activities in the consolidated statement of cash flows.

When a hedging instrument expires, is sold or is terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated statement of (loss) income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

In order to minimise income statement and cash flow volatility resulting from currency exchange rate changes, we enter into derivative instruments, principally forward currency exchange rate contracts. These contracts are designed to hedge anticipated foreign currency transactions and changes in the value of specific assets and liabilities and of some revenue. At inception of the forward contract, the derivative is designated as either a freestanding derivative or a cash flow hedge. For derivative instruments that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative instrument is reported as a component of AOCI (loss) and reclassified to the consolidated statement of (loss) income to offset exchange differences originated by the hedged item or to adjust the value of net income (loss) from continuing operations. We do not enter into currency exchange rate derivative contracts for speculative purposes.

Cash and Cash Equivalents.

We consider all highly liquid investments with an original maturity of three months or less, consisting of demand deposit accounts and money market mutual funds, to be cash equivalents. Cash equivalents are carried on the consolidated balance sheet at cost, which approximated their fair value.

Non-monetary Assets. Property, Plant and Equipment.

Property, Plant & Equipment (PP&E) is carried at cost, less accumulated depreciation and any accumulated impairment losses. Maintenance and repairs, and minor replacements are charged to expense as incurred, while significant renewals and improvements are capitalised. We compute depreciation using the straight-line method over estimated useful lives. Where an item of PP&E comprises several parts with different useful lives, each part is recognised as a separate item and depreciated over its useful life. Useful life and residual value of PP&E are reviewed at each year-end. As necessary, the occurrence of changes to the useful life or residual value is recognised prospectively as a change in accounting estimates.

Leasehold improvements are depreciated over the shorter of the useful life of an asset or the lease term. Capital improvements to the building are added as building components and depreciated over the useful life of the improvement or the building, whichever is less.

The estimated useful lives for all classes of depreciable PP&E, except for land and capital investment in process which are not depreciated, as at 31 December 2021 were as follow:

	Lives in Years
Building and building improvements	3 to 39
Equipment, other, furniture, fixtures	3 to 18

The estimated useful lives for all classes of depreciable PP&E, except for land and capital investment in process which are not depreciated, as at 31 December 2020 were as follow:

	Lives in Years
Building and building improvements	3 to 39
Equipment, other, furniture, fixtures	3 to 20

Where there are any internal or external indications that the value of an item of PP&E may be impaired, the recoverable amount of the group of cash generating unit(s) (CGU(s)) to which it belongs is calculated. If the recoverable amount is less than the carrying amount of the group of CGUs, a provision for impairment is recorded. PP&E is reviewed for impairment annually on 31st of December.

Impairment of Goodwill and Long-lived Assets.

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's CGU's fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The methodology applied to our CGUs value in use calculations, reflecting past experience and external sources of information, includes Board approved five-year budgets based on pre-tax cash flows which are extended to trend the expected revenue growth rate at the end of the budgeted period down to the estimated long-term growth rate in a linear manner. The methodology applied to our value in use calculations is based on projected periods and includes a discounted cash flow model test, utilizing discount rates and a long-term growth rate. Goodwill impairment evaluations are highly subjective. They involve expectations of future cash flows that reflect our judgements and assumptions regarding future industry conditions and operations. The estimates, and assumptions used in the application of our goodwill impairment policies reflect both historical experience and an assessment of current operational, industry, market, economic and political environments. Quantitative factors used to determine the fair value of the CGU reflect our best estimates, and we believe they are reasonable. Future declines in the CGU's operating performance or our anticipated business outlook may reduce the estimated fair value of our CGU and result in additional impairment. Factors that could have a negative impact on the fair value of the reporting units include, but are not limited to:

- Decreases in revenue as a result of the inability of our sales force to effectively market and promote our products;
- Increased competition, patent expirations or new technologies or treatments;
- Declines in anticipated growth rates;
- The outcome of litigation, legal proceedings, investigations or other claims resulting in significant cash outflows; and
- Increases in the market-participant risk-adjusted weighted average cost of capital (WACC)

Refer to "Note 10. Goodwill and Intangible Assets" for a discussion of the sensitivity analyses performed for the discount rate and expected revenue growth rate.

Generally, for intangible assets with a definite useful life, the Company uses cash flow projections for the whole useful life of these assets with a terminal value based on cash flow projections usually in line with or lower than inflation rates for later years.

Discount rates used are based on the Company's estimated WACC adjusted for specific country and currency risks associated with cash flow projections as an approximation of the weighted average cost of capital of a comparable market participant. Due to the above factors, actual cash flows and values could vary significantly from forecasted future cash flows and related values derived using discounting techniques.

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future years.

We conduct impairment testing of our indefinite-lived intangible assets on 31 December each year. We test indefinite-lived intangible assets for impairment between annual tests if an event occurs or circumstances change that would indicate the carrying amount may be impaired. An impairment loss is recognised when the asset's carrying value exceeds its fair value.

Research and Development.

Research costs are recognised as an expense for the year in which they are incurred. R&D includes costs of basic research activities as well as engineering and technical effort required to develop a new product or make significant improvement to an existing product or manufacturing process. R&D costs also include regulatory and clinical study expenses, including post-market clinical studies.

Inventories.

We state our inventories at the lower of cost, using the first-in first-out (FIFO), and net realizable value. Our calculation of cost includes the acquisition cost of raw materials and components, direct labour and overhead. We reduce the carrying value of inventories for those items that are potentially excess, obsolete or slow moving based on changes in customer demand, technology developments or other economic factors.

Assets Held for Sale.

We classify long-lived assets as held for sale in the period in which we commit to a plan to sell the asset, the asset is available for immediate sale, the asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value and the sale of the asset is probable within the next twelve months and when actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. A long-lived asset classified as held for sale is measured at the lower of its carrying amount or fair value less cost to sell and depreciation is discontinued. We recognise an impairment for any excess of carrying value over the fair value less cost to sell.

Revenue Recognition.

Refer to "Note 3. Revenue Recognition."

Defined Benefit Pension Plans and Other Post-Employment Benefits.

The Company sponsors various retirement benefit plans, including defined benefit pension plans (pension benefits), defined contribution savings plans and termination indemnity plans, covering substantially all U.S. employees and employees outside the U.S. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability) and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the consolidated balance sheet with a corresponding debit or credit to retained earnings through OCI in the year in which they occur. Re-measurements are not reclassified to profit or loss in subsequent years.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date on which the Company recognises related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognises the following changes in the net defined benefit obligation under cost of sales and selling, general and administrative expenses in the consolidated statement of (loss) income (by function):

- Service costs comprising current service costs, past-service costs, gains and losses on curtailment and non-routine settlements
- Net interest expense or income

Provision for severance indemnity is mandatory for Italian companies and is considered:

- a defined benefit plan with respect to amounts vested up to 31 December 2006 and amounts vesting from 1 January 2007 for employees who have chosen to maintain the Trattamento di Fine Rapporto (TFR) at the company, for companies with 50 or fewer employees;
- a defined contribution plan with respect to amounts vesting as from 1 January 2007 for employees who have opted for supplementary pensions or who have chosen to maintain the TFR at the company, for companies with more than 50 employees.

As a defined benefit plan, the TFR is measured using the unit credit projection method based on actuarial assumptions (demographic assumptions: mortality, turnover, disability of the population included in the above plan; financial assumptions: discount rate, benefit growth rate, capitalisation rate). The increase in the present value of the TFR is included in personnel expense, with the exception of the revaluation of the net liability, which is recorded among items of OCI. The cost of TFR accrued through 31 December 2006 no longer includes the component related to future salary increases. Payments of TFR, as a defined contribution plan, are also included in personnel expense, and until they are settled financially, they have a balancing entry in the statement of financial position in the form of current payables.

Share-Based Compensation.

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

The following share-based incentive awards are offered by the Company:

- Share Appreciation Rights (SAR). A SAR confers upon an employee the contractual right to receive an amount of cash, share, or a combination of both that equals the appreciation in the Company's common share from an award's grant date to the exercise date. SARs may be exercised at the employee's discretion during the exercise period and do not give the employee an ownership right in the underlying share. The SARs may be settled in LivaNova shares and/or cash, as determined by LivaNova and as set forth in the individual award agreements. SARs do not involve payment of an exercise price. We use the Black-Scholes option pricing methodology to calculate the grant date fair market value of SARs. We determine the expected volatility on historical volatility.
- Restricted Share (RS) and Restricted Share Units (RSU). We may grant RS and RSUs at no purchase cost to the grantee. The grantees of unvested RSUs have no voting rights or rights to dividends. Sale or transfer of the stock and stock units is restricted until they are vested. The fair market value of service-based RS and RSUs is determined using the market closing price on the grant date, and compensation is expensed ratably over the vesting period. Calculation of compensation for stock awards requires estimation of employee turnover and forfeiture rates. We have the right to elect to pay the cash value of vested restricted share units in lieu of the issuance of new shares. Under our share-based compensation plans we repurchase a portion of these shares from our employees to permit our employees to meet their minimum statutory tax withholding requirements on vesting of their restricted share.

- Market Performance-Based Restricted Share Units. We may grant market performance-based RSUs at no purchase cost to the grantee. The grantees of the units have no voting rights or rights to dividends. Sale or transfer of the units is restricted until they are vested. The number of shares that are ultimately transferred to the grantee is dependent upon the Company's percentile rank of TSR relative to a peer group. The fair market value of market performance-based RSUs is determined utilizing a Monte Carlo simulation on the grant date and compensation is expensed ratably over the service period. Calculation of compensation for market performance-based stock awards requires estimation of employee turnover, historical volatility and forfeiture rates.

- Operating Performance-Based Restricted Share Units. We may grant operating performance-based RSUs at no purchase cost to the grantee. The grantees of the units have no voting rights or rights to dividends. Sale or transfer of the units is restricted until they are vested. The number of shares that are ultimately transferred to the grantee is dependent upon the Company's achievement of certain thresholds for cumulative adjusted FCF and return on invested capital. The fair market value of operating performance-based RSUs is determined using the market closing price on the grant date. Compensation is expensed ratably over the service period and adjusted based upon the percent achievement of cumulative adjusted FCF. Calculation of compensation for operating performance-based stock awards requires estimation of employee turnover, adjusted FCF, return on invested capital and forfeiture rates.

Income Taxes.

The tax expense for the year comprises current and deferred tax. Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in OCI or directly in equity. In this case, the tax is also recognised in OCI or directly in equity, respectively.

The income tax expense or credit for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting year in the countries where the company's subsidiaries and associates operate and generate taxable income. The Company is subject to taxation on earnings in several countries under various tax regulations. Calculation of taxes on a global scale requires the use of estimates and assumptions developed based on the information available at the balance sheet date. Management establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred taxes are recognised by the liability method for temporary differences between the carrying amount of assets and liabilities in the consolidated balance sheet and their tax base. They are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Adjustments to deferred taxes resulting from changes in tax rates are recognised in profit or loss. A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. At each year-end, the Company reviews the recoverable value of deferred tax assets of tax entities holding significant loss carryforwards. This value is based, by tax entity, on the strategy for recoverability of the tax loss carryforwards. Deferred taxes are charged or credited directly to equity when the tax relates to items that are recognised directly in equity, such as gains and losses on cash flow hedges and actuarial gains and losses on defined benefit plan obligations. Deferred tax assets and liabilities are set off when they are levied on the same taxable entity (legal entity or tax group) by the same taxation authority and the entity has a legally enforceable right of set off. Deferred taxes are recognised for all temporary differences associated with investments in subsidiaries and associates, except to the extent that the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax balances are not discounted.

Leases.

We have leases primarily for (i) real estate, including office space and manufacturing, warehouse and research and development facilities and (ii) vehicles. We determine if an arrangement is or contains a lease at inception or when the terms and conditions of a contract are significantly changed. ROU assets and lease liabilities are recognised based on the present value of the future minimum lease payments over the lease term at the latter of our lease standard effective date for adoption or the lease commencement date. Variable lease payments that do not depend on an index or rate, such as variable common area rent maintenance charges and utility fees not known upon lease commencement, are not included in determination of the minimum lease payments and will be expensed in the period in which the obligation for those payments is incurred. Variable lease payments that depend on an index or rate are initially measured using the index or rate as of the commencement date. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement in determining the present value of future payments. The incremental borrowing rate is determined using a risk-free rate adjusted for factors such as credit rating and borrowing currency, and represents an estimate of the interest rate we would incur at lease commencement to borrow the funds necessary to obtain an asset of similar value to the ROU asset over the term of a lease. The ROU lease asset also includes any lease payments made in advance and excludes lease incentives. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. ROU assets are depreciated over the shorter of the asset's useful life or the lease term on a straight-line basis. Lease payments are allocated between the liability and finance costs. Finance costs are recorded as an expense in the Company statement of (loss) income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability. Certain of our leases provide for tenant improvement allowances that have been recorded as ROU assets and amortised, using the straight-line method, over the life of the lease.

We apply certain practical expedients on an ongoing basis, including the practical expedient for short-term leases and leases of low-value assets pursuant to which a lessee is permitted to make an accounting policy election by class of underlying asset not to recognise a lease liability and lease asset. A short-term lease is defined as a lease with a term of 12 months or less and does not include an option to purchase the underlying asset that the lessee is reasonably certain to exercise. In exception to vehicles as it relates to the low-value lease asset policy, we have applied these accounting policies to all asset classes in our portfolio and will recognise the lease payments for such short-term leases and leases of low-value assets within profit or loss on a straight-line basis over the lease term.

Accounting for leases has no impact on the actual cash flows. However, lease accounting requires the capitalisation, and subsequent depreciation, of costs that were previously expenses as paid, which impacts disclosures of cash flows within the cash flow statement.

From a lessor perspective, certain of our agreements that allow the customer to use, rather than purchase, our medical devices meet the criteria of being a lease.

For additional information refer to "Note 18. Leases."

Equity.

Ordinary Shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity instruments, for example as the result of a share buy-back or a sharebased payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of LivaNova as treasury shares until the shares are cancelled or reissued. Where such Ordinary Shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of LivaNova.

Provisions and Warranties.

Provisions for legal claims, service warranties and make good obligations are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting year. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as finance expense.

The Company offers a product warranty on various products. The Company estimates the costs that may be incurred under warranties and records a liability in the amount of such costs at the time the product is sold. The amount of the reserve recorded is equal to the net costs to repair or otherwise satisfy the claim. The warranty obligation is included in current provisions on the consolidated balance sheet. Warranty expense is recorded in cost of sales in the consolidated statement of (loss) income.

Contingent Consideration.

Contingent consideration is recognised at fair value at the date of acquisition based on the consideration expected to be transferred and estimated as the probability of future cash flows, discounted to present value in accordance with accepted valuation methodologies. The discount rate used is a benchmark yield curve for U.S. healthcare companies, determined at the time of measurement. Contingent consideration is remeasured each reporting year with the change in fair value, including accretion for the passage of time, recorded in the consolidated statement of (loss) income. The change in fair value of contingent consideration based on the achievement of regulatory milestones is recorded as research and development expense while the change in fair value of sales-based earnout contingent consideration is recorded as cost of sales.

Product Liability Accruals.

Accruals for product liability claims are recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated based on existing information. Accruals for product liability claims are adjusted periodically as additional information becomes available. The Company accrues an estimate of the legal defense costs needed to defend each matter when those costs are probable and can be reasonably estimated.

Contingencies.

The Company is subject to product liability claims, government investigations and other legal proceedings in the ordinary course of business. Legal fees and other expenses related to litigation are expensed as incurred and included in selling, general and administrative expenses in the consolidated statement of (loss) income. Contingent accruals are recorded when the Company determines that a loss is both probable and reasonably estimable. Due to the fact that legal proceedings and other contingencies are inherently unpredictable, our assessments involve significant judgement regarding future events.

Earnings Per Share.

Basic (loss) EPS is calculated by dividing the (loss) income for the year attributable to equity holders of the parent by the weighted average number of shares outstanding during the year. Diluted EPS is calculated by dividing the income (loss) attributable to equity holders of the parent by the weighted average number of shares outstanding during the year plus the weighted average number of shares that would be issued on conversion of all the dilutive potential shares into shares. However, for the calculation of diluted EPS for the years ended 31 December 2021 and 2020 there is no dilution because to do so would be antidilutive due to the Company being in a net loss position during these years. Refer to "Note 26. Earnings Per Share" for additional information.

Critical Estimates and Judgements.

The preparation of our consolidated financial statements in conformity with IFRS requires management to make estimates and judgements that affect the amounts reported in such financial statements and accompanying notes. These estimates and judgements are based on management's best knowledge of current events and actions we may undertake in the future. Actual results could differ materially from those estimates. Application of the following accounting policies requires certain judgements and estimates that have the potential for the most significant impact on our consolidated financial statements:

Critical Estimates

- 3T Litigation and Saluggia Site Hazardous Substances Provisions. Provisions for legal claims are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Estimates are used in assessing the likelihood of a loss being incurred and when determining a reasonable estimate of the loss for each claim. Final settlement amounts may be materially different from the provision recorded. For the 3T litigation provision, given the nature of the estimate, no sensitivities are applicable. For further discussions on our 3T Litigation and Saluggia Site Hazardous Substances Provisions, please refer to "Note 25. Commitments and Contingencies, including the sensitivity to discount rates and the range of outcomes for the Saluggia site hazardous substances provision."

- Goodwill and Intangible Assets - In-process research and development. Goodwill and in-process R&D were recognised as part of our past merger and acquisition activities based on detailed valuations that use information and assumptions provided by management. These valuations consider management's best estimates of inputs and assumptions that a market participant would use. The key estimates in the valuations include the discount rate as well as the expected revenue growth rate. For a discussion of impairments recognised and sensitivity analyses performed, refer to "Note 10. Goodwill and Intangible Assets."

- Embedded Exchange Feature and Capped Call Derivatives. In June 2020, the Company issued cash exchangeable senior notes and entered into related capped call transactions. The cash exchangeable senior notes include an embedded exchange feature that is bifurcated from the cash exchangeable senior notes. The embedded exchange feature derivative is measured at fair value using a binomial lattice model and discounted cash flows that utilize observable and unobservable market data. The capped call derivative is measured at fair value using the Black-Scholes model utilizing observable and unobservable market data, including stock price, remaining contractual term, expected volatility, risk-free interest rate and expected dividend yield, as applicable. The Company uses historical volatility and implied volatility from options traded to determine expected stock price volatility which is an unobservable input that is significant to the valuation. For additional information, please refer to "Note 4. Financial Risk Management" for a sensitivity analysis of expected stock price volatility and "Note 17. Financial Liabilities."

- Deferred Tax Recoverability. Management has made estimates regarding the recoverability of deductible temporary differences and tax losses carried forward to be utilized from future taxable profits. The Group has decided not to recognise UK deferred tax assets relating to losses where UK group relief is not permitted, and other timing differences due to the uncertainty involved in determining the future profitability of the Group. We performed a sensitivity analysis concerning the recoverability of our deferred tax assets as of 31 December 2021, utilizing the discounted cash flow models used in the assessment of our group CGUs for impairment. We determined that a decrease of 0.5% in the expected revenue growth rate used, which we consider to be a reasonably possible change, would not impact the expected timing of deferred tax asset utilization. For additional information, please refer to "Note 24. Income Taxes."

Critical Judgements

- Commitments and Contingencies. A number of LivaNova subsidiaries are involved in various government investigations and legal proceedings (product liability, commercial, employment, environmental claims, etc.) arising out of the normal conduct of their businesses. The outcome of these matters is not certain and judgement is required in determining whether these matters require the recognition of a liability. The most significant matters considered relate to our 3T device, the SNIA litigation and our Saluggia site. For more information, see "Note 25. Commitments and Contingencies."

- Exceptional Items. Exceptional items are expense or income items which have been determined by management as being material by their size or incidence and are presented separately within the results of the group. The determination of which items are disclosed as exceptional items will affect the presentation of profit measures and requires a degree of judgement. Details relating to exceptional items reported during the year are set out in "Note 31. Exceptional Items."

Note 3. Revenue Recognition

We generate our revenue through contracts with customers that primarily consist of hospitals, healthcare institutions, distributors and other organizations. Revenue is measured based on consideration specified in a contract with a customer, and excludes amounts collected on behalf of third parties. We measure the consideration based upon the estimated amount to be received. The amount of consideration we ultimately receive varies depending upon the return terms, sales rebates, discounts, and other incentives that we may offer, which are accounted for as variable consideration when estimating the amount of revenue to recognise. The recognition of variable consideration associated with product returns and sales discounts requires estimation. We estimate expected sales returns based on historical data. Sales discounts and rebates are applied to customer purchases based on anticipated sales during the discount period.

We have historically experienced a low rate of product returns and the total dollar value of product returns has not been significant to our consolidated financial statements.

We recognise revenue when a performance obligation is satisfied by transferring the control of a product or providing service to a customer. Some of our contracts include the purchase of multiple products and/or services. In such cases, we allocate the transaction price based upon the relative estimated stand-alone price of each product and/or service sold. We record state and local sales taxes net: that is, we exclude sales tax from revenue. Typically, our contracts do not have a significant financing component. We did not apply the practical expedient under IFRS 15 which provides that an entity is not required to adjust the transaction price for the effects of a significant financing component if, at contract inception, it expects the period between customer payment and the transfer of goods or services to be one year or less.

We incur incremental commission fees paid to the sales force associated with the sale of products. We apply the practical expedient within IFRS 15 and have elected to recognise the incremental costs of obtaining a contract as an expense when incurred if the amortisation period of the asset the entity would otherwise recognise is one year or less. As a result, no commissions have been capitalised as contract costs since adoption of IFRS 15.

The following is a description of the principal activities (separated by reportable segments) from which we generate our revenue. For more detailed information about our reportable segments including disaggregated revenue results by operating segment, major product line and primary geographic market, see "Note 27. Segment and Geographic Information."

Cardiopulmonary Products and Services

Cardiopulmonary products include oxygenators, HLMs, autotransfusion systems, perfusion tubing systems, cannulae and other related accessories.

Cardiopulmonary products may include performance obligations associated with assembly and installation of equipment. Accordingly, we allocate a portion of the sales prices to installation obligations and recognise that revenue when the service is provided. We recognise revenue for equipment and accessory product sales when control of the equipment or product passes to the customer.

Technical services include installation, repair and maintenance of cardiopulmonary equipment under service contracts or upon customer request. Technical service agreements generally provide for upfront payments in advance of rendering service or periodic billing over the contract term. Amounts billed in advance are deferred and recognised as revenue when the performance obligation is satisfied. Technical services are not a significant component of Cardiopulmonary revenue and have been presented with the related equipment and accessories revenue.

Neuromodulation Products

Neuromodulation segment products are comprised of Neuromodulation therapy systems for the treatment of drug-resistant epilepsy, DTD and OSA. Our Neuromodulation product line includes the VNS Therapy System, which consists of an implantable pulse generator, a lead that connects the generator to the vagus nerve, and other accessories. Our Neuromodulation product line also includes an implantable device for the treatment of OSA that stimulates multiple tongue muscles via the hypoglossal nerve, which in turn, engages certain muscles in the tongue in order to open the airway while a patient is sleeping. We recognise revenue for Neuromodulation product sales when control passes to the customer.

Advanced Circulatory Support Products

Advanced Circulatory Support includes temporary life support product kits that can include a combination of pumps, oxygenators, and cannulae. Advanced Circulatory Support revenue is recognised when control passes to the customer, usually at the point of shipment.

Contract Balances

Due to the nature of our products and services, revenue producing activities may result in the recognition of contract assets and contract liabilities. These activities relate primarily to Cardiopulmonary technical services contracts for short-term and multi-year service agreements. Contract assets are primarily comprised of unbilled revenues, which occur when a performance obligation has been completed, but not billed to the customer. Contract liabilities are made up of deferred revenue, which occurs when a customer pays for a service, before a performance obligation has been completed. Contract assets are included within prepaid expenses and other current assets on the consolidated balance sheet and were insignificant at 31 December 2021 and 31 December 2020. At 31 December 2021 and 31 December 2020, contract liabilities of $9.8 million and $8.6 million, respectively, were included within other payables and other and other long-term liabilities on the consolidated balance sheet.

Note 4. Financial Risk Management

Management of Financial Risk

Increasing market fluctuations may result in significant earnings and cash flow volatility risk for LivaNova. The Company's operating business as well as its investment and financing activities are affected particularly by changes in foreign exchange rates, interest rates and concentration of procurement suppliers and customers. In order to optimize the allocation of the financial resources across LivaNova's segments and entities, as well as to achieve its aims, LivaNova identifies, analyses and manages the associated market risks. The Company seeks to manage and control these risks primarily through its regular operating and financing activities, and uses derivative financial instruments when deemed appropriate.

The Company's CFO oversees the management of these risks. The CFO is supported by a senior financial management team that advises on financial risks and the appropriate financial risk governance framework for the Company. The senior financial management team provides assurance to the Company's senior management that the Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with policies and risk appetite. All derivative activities for risk management purposes are carried out by teams that have the appropriate skills, experience and supervision. It is the Company's policy that no trading in derivatives for speculative purposes may be undertaken. Intercompany financing or investments of operating units are preferably carried out in their functional currency or on a hedged basis. The Board reviews and agrees to policies for managing each of these risks.

Liquidity Risk

Liquidity risk results from the Company's inability to meet its financial liabilities. LivaNova follows a financing policy that is aimed towards a balanced financing portfolio, a diversified maturity profile and a comfortable liquidity cushion. LivaNova mitigates liquidity risk by the implementation of an effective working capital and centralized cash management and arranged credit facilities with highly rated financial institutions. In addition, LivaNova constantly monitors funding options available in the capital markets, as well as trends in the availability and costs of such funding, with a view to maintaining financial flexibility and limiting repayment risks.

The following tables reflect the undiscounted cash outflows related to settlement and repayments, of the Company's financial liabilities at a balance sheet date. The disclosed expected undiscounted net cash outflows from derivative financial liabilities are determined based on each particular settlement date of an instrument and based on the earliest date on which LivaNova could be required to pay. Cash outflows for financial liabilities without fixed amount or timing are based on the conditions existing at the respective balance sheet date.

Contractual undiscounted cash outflows were as follows (in thousands):

	31 December 2021				
	Due Within 1 Year	1-2 Years	2-5 Years	Over 5 Years	Total
Non-derivative financial instruments					
Trade payables	$ 66,754	$ -	$ -	$ -	$ 66,754
Financial liabilities	4,493	9,395	287,620	331	301,839
Total	$ 71,247	$ 9,395	$ 287,620	$ 331	$ 368,593
Financial derivative liabilities					
- on exchange rate risk	$ 1,409	$ -	$ -	$ -	$ 1,409
- on equity price risk[1]	-	-	181,700	-	181,700
Total	$ 1,409	$ -	$ 181,700	$ -	$ 183,109

[1] Refer to the section titled "Equity Price Risk" below.

	31 December 2020				
	Due Within 1 Year	1-2 Years	2-5 Years	Over 5 Years	Total
Non-derivative financial instruments					
Trade payables	$ 73,099	$ -	$ -	$ -	$ 73,099
Financial liabilities	13,343	1,913	741,561	360	757,177
Total	$ 86,442	$ 1,913	$ 741,561	$ 360	$ 830,276
Financial derivative liabilities					
- on exchange rate risk	$ 3,192	$ -	$ -	$ -	$ 3,192
- on interest rate risk	74	-	-	-	74
- on equity price risk[1]	-	-	121,756	-	121,756
Total	$ 3,266	$ -	$ 121,756	$ -	$ 125,022

	31 December 2020				
	Due Within 1 Year	1-2 Years	2-5 Years	Over 5 Years	Total

(1) Refer to the section titled “Equity Price Risk” below.

Equity Price Risk

In June 2020, the Company issued $287.5 million in cash exchangeable senior notes and entered into related capped call transactions. The cash exchangeable senior notes include an embedded exchange feature that is bifurcated from the cash exchangeable senior notes. Please refer to “Note 17. Financial Liabilities” for further details. The embedded exchange feature derivative is measured at fair value using a binomial lattice model and discounted cash flows that utilize observable and unobservable market data. The capped call derivative is measured at fair value using the Black-Scholes model utilizing observable and unobservable market data, including stock price, remaining contractual term, expected volatility, risk-free interest rate and expected dividend yield, as applicable.

In general, an increase in our stock price or stock price volatility would increase the fair value of the embedded exchange feature and capped call derivatives which would result in an increase in expense. As time to the expiration of the derivatives decreases with passage of time, the fair value of the derivatives would decrease. The future impact on net income depends on how significant inputs such as stock price, stock price volatility and time to the expiration of the derivatives change in relation to other inputs.

The stock price volatility as at 31 December 2021 was 33%. As of 31 December 2021, a 10% lower volatility, holding other inputs constant, would result in approximate fair value for the embedded exchange feature derivative of $166.1 million and a 10% higher volatility, holding other inputs constant, would result in approximate fair value of $200.0 million. As at 31 December 2021, a 10% lower volatility, holding other inputs constant would result in approximate fair value for the capped call derivatives of $119.6 million and a 10% higher volatility, holding other inputs constant, would result in approximate fair value of $95.8 million.

Foreign Currency Exchange Rate Risk

FX risk is the risk that reported financial performance of the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. LivaNova operates in many countries and currencies and therefore currency fluctuations may impact LivaNova’s financial results. In the ordinary course of business, LivaNova is exposed to foreign currency exchange rate fluctuations, particularly between the USD, Euro, Canadian Dollar, GBP and Japanese Yen. LivaNova is exposed to currency risk in the following areas:

- Transaction exposures, related to anticipated sales and purchases and on-balance-sheet receivables/payables resulting from such transactions
- Translation exposure of foreign-currency intercompany and external debt
- Translation exposure of net income in foreign entities
- Translation exposure of foreign-currency denominated equity invested in consolidated companies

It is LivaNova’s policy to reduce the potential year on year volatility caused by foreign-currency movements on its net earnings by hedging the anticipated net exposure of foreign currencies resulting from foreign-currency sales and purchases. Intercompany financing or investments of operating units are preferably earned out in their functional currency or on a hedged basis. Additionally, foreign currency exchange rate exposure is partly balanced by purchasing of goods, commodities and services in the respective currencies, as well as production activities in the local markets. LivaNova’s operating units are prohibited from borrowing or investing in foreign currencies on a speculative basis. On average, the target is to hedge approximately 80% of consolidated EBITDA denominated in material currencies, hedged against USD, LivaNova’s reporting currency. At 31 December 2021, designated cash flow hedges carried out for FX net risk positions are denominated in Euro, GBP and Japanese Yen.

Based on our exposure to foreign currency exchange rate risk, a sensitivity analysis indicates that if the USD had uniformly strengthened by 10% against the GBP, EUR and the Japanese Yen, in the year ended 31 December 2021, the effect on our unrealised income, for our derivatives outstanding at 31 December 2021, would have been approximately $(5.6) million; if the USD had uniformly weakened by 10% against the same currencies, the effect on our unrealised expenses for our derivatives outstanding at 31 December 2021 would have been approximately $6.8 million.

Any gains and losses on the fair value of derivative contracts would generally be offset by gains and losses on the underlying transactions. These offsetting gains and losses are not reflected in the above analysis.

With regard to financial instruments denominated in currencies other than the currency of account of the companies holding them, the currencies involving the greatest exposure are the USD, Euro, GBP and Japanese Yen as indicated below (in thousands):

	31 December 2021		
	EUR	USD	JPY
Assets			
Cash and cash equivalents denominated in foreign currency	$ -	$ 92,161	$ 9,755
Trade receivables denominated in foreign currency	1,140	28,864	-
Other assets denominated in foreign currency	10,808	458	-
Total assets	11,948	121,483	9,755
Liabilities			
Trade payables denominated in foreign currency	12	2,262	277
Financial liabilities denominated in foreign currency	-	229	-
Other liabilities denominated in foreign currency	7	1,536	-
Total liabilities	19	4,027	277
Net exposure	$ 11,929	$ 117,456	$ 9,478
Financial derivative assets			
- for hedging	$ -	$ -	$ -
Total assets	-	-	-
Financial derivative liabilities			
- not for hedging[1]	138	271	(174)

	31 December 2021		
	EUR	USD	JPY
- for hedging	1,197	-	(243)
Total liabilities	1,335	271	(417)
Net exposure	$ (1,335)	$ (271)	$ 417

	31 December 2021		
	GBP	Other	Total
Assets			
Cash and cash equivalents denominated in foreign currency	$ 2,037	$ 13,359	$ 117,312
Trade receivables denominated in foreign currency	-	5,682	35,686
Other assets denominated in foreign currency	215	178	11,659
Total assets	2,252	19,219	164,657
Liabilities			
Trade payables denominated in foreign currency	40	368	2,959
Financial liabilities denominated in foreign currency	3,835	220	4,284
Other liabilities denominated in foreign currency	8,990	226	10,759
Total liabilities	12,865	814	18,002
Net exposure	$ (10,613)	$ 18,405	$ 146,655
Financial derivative assets			
- for hedging	$ -	$ -	$ -
Total assets	-	-	-
Financial derivative liabilities			
- not for hedging(1)	(101)	232	366
- for hedging	88	-	1,042
Total liabilities	(13)	232	1,408
Net exposure	$ 13	$ (232)	$ (1,408)

(1) For hedging transactions that do not meet the requirements for hedge accounting.

	31 December 2020		
	EUR	USD	JPY
Assets			
Cash and cash equivalents denominated in foreign currency	$ -	$ 96,484	$ 6,668
Trade receivables denominated in foreign currency	368	33,868	-
Other assets denominated in foreign currency	104	453	-
Total assets	472	130,805	6,668
Liabilities			
Trade payables denominated in foreign currency	435	2,190	18
Financial liabilities denominated in foreign currency	-	-	-
Other liabilities denominated in foreign currency	66	177	-
Total liabilities	501	2,367	18
Net exposure	$ (29)	$ 128,438	$ 6,650
Financial derivative assets			
- for hedging	$ 2,687	$ -	$ (517)
Total assets	2,687	-	(517)
Financial derivative liabilities			
- not for hedging(1)	-	2,747	80
Total liabilities	-	2,747	80
Net exposure	$ 2,687	$ (2,747)	$ (597)

	31 December 2020		
	GBP	Other	Total
Assets			
Cash and cash equivalents denominated in foreign currency	$ 6,854	$ 15,045	$ 125,051
Trade receivables denominated in foreign currency	-	5,481	39,717
Other assets denominated in foreign currency	244	-	801
Total assets	7,098	20,526	165,569
Liabilities			
Trade payables denominated in foreign currency	3,581	345	6,569
Financial liabilities denominated in foreign currency	708	12	720
Other liabilities denominated in foreign currency	1,840	778	2,861
Total liabilities	6,129	1,135	10,150
Net exposure	$ 969	$ 19,391	$ 155,419
Financial derivative assets			
- for hedging	$ 709	$ -	$ 2,879
Total assets	709	-	2,879

	31 December 2020		
	GBP	Other	Total
Financial derivative liabilities			
- not for hedging[1]	31	1,161	4,019
Total liabilities	31	1,161	4,019
Net exposure	$ 678	$ (1,161)	$ (1,140)

[1] For hedging transactions that do not meet the requirements for hedge accounting.

Interest Rate Risk

The Company's main interest rate risk arises from long-term debt with variable rates, which expose the Company to cash flow interest rate risk. LivaNova's policy is to hedge, case by case, medium-long term loans from a floating to a fixed rate, to avoid the impact on net earnings of any potential increase of interest rates. During the years ended 31 December 2021, the Company's debt at variable rates was denominated both in EUR and in USD.

As at 31 December 2021, LivaNova Group had the following variable rate financing denominated in USD:

- a local credit facility in favour of LivaNova Colombia Sas for an amount of $1.5 million.

As at 31 December 2021, LivaNova Group had the following variable rate financing denominated in Euro:

- medium-long term loan from Mediocredito Italiano to Sorin Group Italia S.r.l. of $0.7 million.

As at 31 December 2021, non-US Dollar-denominated floating rate debt was immaterial.

As at 31 December 2020, LivaNova Group had the following variable rate financing denominated in USD:

- a $450.0 million Senior Secured Term Loan, and
- a local credit facility in favour of LivaNova Colombia Sas for an amount of $2.0 million.

As at 31 December 2020, LivaNova Group had the following variable rate financing denominated in Euro:

- medium-long term loan from Mediocredito Italiano to Sorin Group Italia S.r.L of $1.1 million.

As at 31 December 2020, non-US Dollar-denominated floating rate debt was immaterial.

Credit Risk

Our trade receivables represent potential concentrations of credit risk. This risk is limited due to the large number of customers and their dispersion across a number of geographic areas, as well as our efforts to control our exposure to credit risk by monitoring our receivables, the use of credit approvals and credit limits. Refer to "Note 14. Trade Receivables and Other Receivables" for more details. In addition, we have historically had strong collections and minimal write-offs. While we believe that our reserves for credit losses are adequate, essentially all of our trade receivables are concentrated in the hospital and healthcare sectors worldwide, and accordingly, we are exposed to their respective business, economic and country-specific variables. Although we do not currently foresee a concentrated credit risk associated with these receivables, repayment is dependent on the financial stability of these industry sectors and the respective countries' national economies and healthcare systems.

The maximum theoretical credit risk exposure for LivaNova is an aggregate carrying amount of financial assets at each reporting year date (in thousands):

	31 December 2021	31 December 2020
Financial assets	$ 24,640	$ 38,284
Other assets	4,274	3,664
Trade receivables	185,354	184,356
Other receivables	30,240	19,218
Financial derivative assets	106,629	74,355
Other financial assets	5,503	3,522
Cash and cash equivalents	207,993	252,832
Guarantees	35,072	36,416
Total	$ 599,705	$ 612,647

The risk related to cash and cash equivalents, financial assets and financial derivatives assets is limited since all bank and financial counter-parties have a high rating.

The guarantees issued by LivaNova are primarily due to unconditional bank guarantees, irrevocable letters of credit, bid bonds, guarantees to the governmental tax authorities and tenancy guarantees, and thus, the related credit risk is remote and has been remote as viewed on a historical basis.

Since LivaNova operates in the medical technology sector, there is not a significant risk of customer insolvency, a significant portion of which is related to government agencies, but they are subject to the risk related to cash requirements due to the high level of trade receivables owing to average collection periods (days of sales outstanding) and the ageing of these receivables.

Credit risk is managed on a group basis. For banks and financial institutions, only independently rated parties with a minimum investment grade credit rating are accepted.

For customers, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external information in accordance with limits set by the Company's Treasury Group. The compliance with and authorization of credit limits by customers is regularly monitored by line management. Additionally, the Company established a policy for expected credit loss provisions based on lifetime expected credit losses, which provides the methodology to be used to calculate an addition to the provision for uncollectible receivables for past-due receivables for each LivaNova entity and the ageing of each receivable.

Changes in provisions for uncollectible receivables are explained in "Note 14. Trade Receivables and Other Receivables."

For the purposes of disclosing the credit risk to which LivaNova is exposed, below is a breakdown of trade receivables by due dates (in thousands):

	Expected Loss Rate[1]	31 December 2021	31 December 2020
Trade receivables			
Performing	0.04% - 6.0%	$ 150,071	$ 161,244
Less than 30 days past due	0.38% - 12.0%	13,245	14,662
31-120 days past due	0.38% - 30.0%	13,708	11,591
121-365 days past due	0.38% - 30.0%	8,330	10,561
366-730 days past due	20.0% - 50.0%	-	5,590
Over 730 days past due	30.0% - 100%	-	767
		185,354	204,415
Less: Trade receivables reclassified to assets held for sale		-	(20,059)
Total		$ 185,354	$ 184,356

(1) Expected loss rates are applied based upon risk-ranked groupings of countries where the underlying sales are made.

Trade receivables that are past due were $35.3 million and $43.2 million at 31 December 2021 and 31 December 2020, respectively. Of this amount, 25.0% and 24.6% at 31 December 2021 and 31 December 2020, respectively, were receivables from certain government hospitals that pay their suppliers in 1-2 years on average, and the remaining are receivables from private customers, clinics and distributors, some of which have agreed to repayment plans through the renegotiation of payment terms.

At 31 December 2021 and 31 December 2020, the amount of performing receivables that were from government (public) hospitals were 11.0% and 10.8% of total performing receivables, respectively, as indicated in the following table (in thousands):

	31 December 2021		
	Total	Performing	Past Due
By Sector			
Public	$ 25,316	$ 16,491	$ 8,825
Private	160,038	133,580	26,458
Total	$ 185,354	$ 150,071	$ 35,283
	31 December 2020		
	Total	Performing	Past Due
By Sector			
Public	$ 28,005	$ 17,372	$ 10,633
Private	176,410	143,872	32,538
Total	$ 204,415	$ 161,244	$ 43,171

Concentrations of risk by region are provided below to further assess the risk related to the trade receivables (in thousands except days of sales outstanding D.S.O.):

	31 December 2021			
	D.S.O.	Total	Performing	Past Due
By Region				
Italy	123	$ 8,180	$ 6,308	$ 1,872
Spain	77	3,498	2,680	818
France	47	4,320	3,882	438
Germany	16	1,590	1,859	(269)
Rest of Europe	46	15,576	14,285	1,291
North America	46	73,486	61,194	12,292
Japan	88	8,804	8,838	(34)
Rest of World	148	69,900	51,025	18,875
Total	66	$ 185,354	$ 150,071	$ 35,283
	31 December 2020			
	D.S.O.	Total	Performing	Past Due
By Region				
Italy	140	$ 9,633	$ 8,896	$ 737
Spain	104	5,071	3,828	1,243
France	60	6,262	5,561	701
Germany	25	2,606	2,938	(332)
Rest of Europe	42	11,324	9,957	1,367
North America	52	70,160	57,112	13,048
Japan	99	13,117	13,153	(36)
Rest of World	147	86,242	59,799	26,443
Total	77	$ 204,415	$ 161,244	$ 43,171

Revenues are derived from a large number of customers with no customers being individually material.

The average collection period decreased from 77 days at 31 December 2020 to 66 at 31 December 2021. The D.S.O., or average collection period, is calculated as the ratio of total receivables at the end of the year to revenues generated in the 12 preceding months. D.S.O. = (Trade receivables/Revenues) * 365.

For comparability, the revenue amounts include VAT.

For the purposes of the disclosure of credit risk, there were no past-due balances of a significant amount related to other assets, other receivables and financial assets.

Capital management

LivaNova maintains a sufficient amount of capital to meet its development needs, fund the business units' operations and ensure the Company continues to be a going concern. The equilibrium of sources of funding, which is also aimed at minimising overall capital costs, is achieved by balancing risk capital contributed on a permanent basis by shareholders, and debt capital, which is in turn diversified and structured with several due dates and in other currencies. To this end, changes in debt levels in relation to both equity and operating profit, and the generation of cash by the business units are constantly kept under control. Please refer to the sections above titled "Management of Financial Risk," "Liquidity Risk," "Foreign Currency Exchange Rate Risk," "Interest Rate Risk," "Credit Risk" and "Note 17. Financial Liabilities."

Note 5. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. The guidance also establishes a hierarchy for inputs used in measuring fair value that maximises the use of observable inputs and minimises the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs market participants would use in valuing the asset or liability, based on market data obtained from sources independent of us. Unobservable inputs are inputs that reflect our assumptions about the factors market participants would use in valuing the asset or liability developed based upon the best information available in the circumstances. The categorisation of financial assets and financial liabilities within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The hierarchy is broken down into three levels defined as follows:

- Level 1 - Inputs are quoted prices in active markets for identical assets or liabilities
- Level 2 - Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active and inputs (other than quoted prices) that are observable for the asset or liability, either directly or indirectly
- Level 3 - Inputs are unobservable for the asset or liability

No assets or liabilities are classified as Level 1. Financial assets and liabilities that are classified as Level 2 include derivative instruments, primarily forward and option currency contracts, which are valued using standard calculations and models that use readily observable market data as their basis. At 31 December 2021, Level 3 assets include investments in private companies, the capped call derivatives associated with our 2020 cash exchangeable senior notes and convertible notes receivable primarily associated with our investment in ALung Technologies, Inc.. At 31 December 2021, level 3 liabilities include the embedded exchange feature of our cash exchangeable senior notes and contingent consideration recognised as a result of the acquisitions of ImThera and TandemLife.

Assets and Liabilities That Are Measured at Fair Value on a Recurring Basis

The following tables provide information by level for assets and liabilities that are measured at fair value on a recurring basis (in thousands):

	Fair Value as at 31 December 2021	Fair Value Measurements Using Inputs Considered as:		
		Level 1	Level 2	Level 3
Assets: Financial assets at fair value	$ 15,811	$ -	$ -	$ 15,811
Derivative Assets - for hedging (exchange rates)	243	-	243	-
Derivative Assets - not for hedging (exchange rates)	61	-	61	-
Derivative Assets - capped call derivatives	106,629	-	-	106,629
Convertible notes receivable	2,767	-	-	2,767
Total assets	$ 125,511	$ -	$ 304	$ 125,207
Liabilities:				
Derivative Liabilities - for hedging (exchange rates)	$ 1,286	$ -	$ 1,286	$ -
Derivative Liabilities - not for hedging (exchange rates)	427	-	427	-
Derivative Liabilities - embedded exchange feature	181,700	-	-	181,700
Earnout for contingent payments	98,382	-	-	98,382
Total Liabilities	$ 281,795	$ -	$ 1,713	$ 280,082

	Fair Value as at 31 December 2020	Fair Value Measurements Using Inputs Considered as:		
		Level 1	Level 2	Level 3
Assets:				
Financial assets at fair value	$ 30,701	$ -	$ -	$ 30,701
Derivative Assets - for hedging (exchange rates)	2,893	-	2,893	-
Derivative Assets - not for hedging (exchange rates)	55	-	55	-
Derivative Assets - capped call derivatives	72,302	-	-	72,302
Convertible notes receivable	2,775	-	-	2,775
Total assets	$ 108,726	$ -	$ 2,948	$ 105,778
Liabilities:				
Derivative Liabilities - for hedging (exchange rates)	$ 14	$ -	$ 14	$ -
Derivative Liabilities - for hedging (interest rates)	74	-	74	-

	Fair Value as at 31 December 2020	Fair Value Measurements Using Inputs Considered as:		
		Level 1	Level 2	Level 3
Derivative Liabilities - not for hedging (exchange rates)	4,073	-	4,073	-
Derivative Liabilities - embedded exchange feature	121,756	-		121,756
Derivative Liabilities - other	4,290	-	-	4,290
Earnout for contingent payments	103,818	-	-	103,818
Total Liabilities	$ 234,025	$ -	$ 4,161	$ 229,864

Level 2

To measure the fair value of its derivative transactions (transactions to hedge exchange risk), we calculate the mark-to-market of each transaction using prices quoted in active markets (e.g. the spot exchange rate of a currency for forward exchange transactions) and observable market inputs processed for the measurement (e.g. the fair value of an interest rate swap using the interest rate curve), or the measurement of an exchange rate option (with the processing of listed prices and observable variables such as volatility).

For all level 2 valuations, we use the information provided by a third-party as a source for obtaining quoted observable prices and to process market variables. In particular, for forward exchange rate transactions, fair value is calculated using the forward market exchange rate on the reporting date for each contract. The difference calculated between this amount and the contractual forward rate is discounted (present value) to the same reporting date.

The derivative valuation models incorporate the credit quality of counterparts, adjustments for counterparts' credit risk and the Company's own non-performance risk.

Level 3

Financial assets at fair value consist of investments in equity shares, convertible preferred shares and convertible notes receivable of privately held companies for which there are no quoted market prices. These investments fall within Level 3 of the fair value hierarchy due to the use of significant unobservable inputs to determine fair value as the investments are privately held entities without quoted market prices. To determine the fair value of these investments management used all pertinent financial information available related to the entities including valuation reports prepared by third parties. Refer to "Note 12. Financial Assets" for a further discussion of our investments.

The embedded exchange feature and capped call derivatives are classified as Level 3 as the Company uses historical volatility and implied volatility from options traded to determine expected stock price volatility which is an unobservable input that is significant to the valuation.

Earnout for contingent payments related to our acquisitions of ImThera and TandemLife represents our contingent consideration liability as of 31 December 2021. This liability falls within Level 3 of the fair value hierarchy due to the use of significant unobservable inputs to determine fair value as the liability is estimated as the probability of future cash flows, discounted to present value in accordance with accepted valuation methodologies. The discount rate used is determined at the time of measurement. Refer to "Note 20. Contingent Consideration, Litigation Provision Liability and Other Provisions" for a reconciliation of the changes in the fair value of our contingent consideration liability.

The following table provides the fair value of our Level 3 contingent consideration arrangements by acquisition (in thousands):

	31 December 2021	31 December 2020
Im Thera	$ 86,830	$ 89,436
TandemLife	11,552	8,809
Miami Instruments	-	5,573
	$ 98,382	$ 103,818

The Im Thera business combination involved contingent consideration arrangements composed of potential cash payments upon the achievement of a certain regulatory milestone and a sales-based earnout associated with sales of products. The sales-based earnout is valued using projected sales from our internal strategic plan. Both arrangements are Level 3 fair value measurements and include the following significant unobservable inputs as of 31 December 2021:

ImThera Acquisition	Valuation Technique	Unobservable Input	Ranges
Regulatory milestone-based payment	Discounted cash flow	Discount rate	3.6%
		Probability of payment	85%
		Projected payment year	2024
Sales-based earnout	Monte Carlo simulation	Risk-adjusted discount rate	12.4% - 12.8%
		Credit risk discount rate	3.9% - 4.6%
		Revenue volatility	32.5%
		Probability of payment	85%
		Projected years of earnout	2025 - 2028

The TandemLife business combination involved a contingent consideration arrangement composed of potential cash payments upon the achievement of certain regulatory milestones. The arrangement is a Level 3 fair value measurement and includes the following significant unobservable inputs as of 31 December 2021:

TandemLife Acquisition	Valuation Technique	Unobservable Input	Ranges
Regulatory milestone-based payment	Discounted cash flow	Discount rate	2.4%
		Probability of payments	90%
		Projected payment years	2022

Transfers

We review the fair value hierarchy classification on a quarterly basis. Changes in the ability to observe valuation inputs may result in a reclassification of levels for certain securities within the fair value hierarchy. Our policy is to recognise transfers into and out of levels within the fair value hierarchy at the end of the fiscal quarter in which the actual event or change in circumstances that caused the transfer occurs. There were no transfers between Level 1, Level 2 or Level 3 during the years ended 31 December 2021 and 31 December 2020. When a determination is made to classify an asset or liability within Level 3, the determination is based upon the significance of the unobservable inputs to the overall fair value.

Assets and Liabilities that are Measured at Fair Value on a Non-recurring Basis

Non-financial assets such as goodwill, intangible assets and property, plant and equipment are measured at fair value computed using the value in use method when there is an indicator of impairment and recorded at fair value only when impairment is recognised. Financial assets such as investments in shares are held at cost, which we believe it is an appropriate estimate of fair value unless more recent information is available sufficient to measure fair value. The fair values of these non-financial assets are based on our own judgements about the assumptions that market participants would use in pricing the asset and on observable market data, when available. We classify these measurements as Level 3 within the fair value hierarchy.

Financial Instruments Not Measured at Fair Value

The carrying values of our cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate fair value due to the short-term nature of these items.

The carrying value of our long and short-term debt as of 31 December 2021 and 31 December 2020 was $239.4 million and $655.6 million, respectively, which we believe approximates fair value.

Note 6. Financial Instruments

The Group uses several instruments to fund its operating activities including short and long-term debt from credit institutions and other lenders and short-term bank loans. The Group's other financial instruments consist of trade payables and receivables resulting from operating activities, investments in other companies, assets and liabilities for financial derivatives (primarily interest rate swaps and forward foreign currency contracts) and other receivables and payables other than those related to staff, tax authorities and welfare agencies.

Classification of financial instruments

The classification of financial instruments measured at fair value changed from being measured through OCI to being measured in the profit or loss. With regard to classification of financial instruments on the basis of the types as specified in IFRS 9, the following should be noted:

- Assets and liabilities for financial derivatives related to contracts entered into to mitigate exchange risk on imports and exports are classified under "Financial assets/liabilities at fair value through OCI" when they meet the requirements for being recognised as hedge accounting instruments, and under "Financial assets/liabilities at fair value through profit or loss" when these requirements are not met.

Classification of Financial Instruments at 31 December 2021

	Classification			
(in thousands)	Financial Assets/ Liabilities at Fair Value Through Profit or Loss	Receivables and Loans Measured at Amortised Cost	Financial Assets Measured at Amortised Cost	Financial Liabilities at Amortised Cost
Assets				
Financial assets	$ 15,811	$ 2,167	$ 6,662	$ -
Other assets	-	4,274	-	-
Trade receivables	-	185,354	-	-
Other receivables	-	-	-	-
Financial derivative assets	106,629	-	-	-
Other financial assets	-	5,503	-	-
Cash and cash equivalents	-	207,993	-	-
Total financial assets	$ 122.440	$ 405,291	$ 6,662	$ -
Liabilities				
Financial liabilities	$ -	$ -	$ -	$ 236,732
Lease liabilities	-	-	-	47,364
Other liabilities	-	-	-	2,472
Trade payables	-	-	-	66,754
Other payables	-	-	-	59,876
Financial derivative liabilities	182,066	-	-	-
Other financial liabilities	-	-	-	2,727
Total financial liabilities	$ 182,066	$ -	$ -	$ 415,925

Classification of Financial Instruments at 31 December 2021

	Classification	Carrying Amount			
(in thousands)	Financial Assets/ Liabilities at Fair Value Through OCI	Total	Current Portion	Non-Current Portion	Fair Value
Assets					
Financial assets	$ -	$ 24,640	$ -	$ 24,640	$ 24,640

Classification of Financial Instruments at 31 December 2021

(in thousands)	Classification: Financial Assets/ Liabilities at Fair Value Through OCI	Carrying Amount: Total	Current Portion	Non-Current Portion	Fair Value
Other assets	-	4,274	-	4,274	4,274
Trade receivables	-	185,354	185,354	-	185,354
Other receivables	-	-	-	-	-
Financial derivative assets	-	106,629	106,629	-	106,629
Other financial assets	-	5,503	5,503	-	5,503
Cash and cash equivalents	-	207,993	207,993	-	207,993
Total financial assets	$ -	$ 534,393	$ 505,479	$ 28,914	$ 534,393
Liabilities					
Financial liabilities	$ -	$ 236,732	$ 226,946	$ 9,786	$ 299,148
Lease liabilities	-	47,364	11,281	36,083	47,364
Other liabilities	-	2,472	-	2,472	2,472
Trade payables	-	66,754	66,754	-	66,754
Other payables	-	59,876	59,876	-	59,876
Financial derivative liabilities	1,043	183,109	183,109	-	183,109
Other financial liabilities	-	2,727	2,727	-	2,727
Total financial liabilities	$ 1,043	$ 599,034	$ 550,693	$ 48,341	$ 661,450

Classification of Financial Instruments at 31 December 2020

(in thousands)	Classification: Financial Assets/ Liabilities at Fair Value Through Profit or Loss	Receivables and Loans Measured at Amortised Cost	Financial Assets Measured at Amortised Cost	Financial Liabilities at Amortised Cost
Assets				
Financial assets	$ 30,701	$ 2,051	$ 5,532	$ -
Other assets	-	3,664	-	-
Trade receivables	-	184,356	-	-
Other receivables	-	18,485	-	-
Financial derivative assets	72,357	-	-	-
Other financial assets	-	3,522	-	-
Cash and cash equivalents	-	252,832	-	-
Total financial assets	$ 103,058	$ 464,910	$ 5,532	$ -
Liabilities				
Financial liabilities	$ -	$ -	$ -	$ 650,675
Lease liabilities	-	-	-	53,501
Other liabilities	-	-	-	3,357
Trade payables	-	-	-	73,099
Other payables	-	-	-	50,647
Financial derivative liabilities	130,193	-	-	-
Other financial liabilities	-	-	-	4,966
Total financial liabilities	$ 130,193	$ -	$ -	$ 836,245

Classification of Financial Instruments at 31 December 2020

(in thousands)	Classification: Financial Assets/ Liabilities at Fair Value Through OCI	Carrying Amount: Total	Current Portion	Non-Current Portion	Fair Value
Assets					
Financial assets	$	$ 38,284	$ -	$ 38,284	$ 38,284
Other assets	-	3,664	-	3,664	3,664
Trade receivables	-	184,356	184,356	-	184,356
Other receivables	-	18,485	18,485	-	18,485

Classification of Financial Instruments at 31 December 2020

	Classification	Carrying Amount			
(in thousands)	Financial Assets/ Liabilities at Fair Value Through OCI	Total	Current Portion	Non-Current Portion	Fair Value
Financial derivative assets	1,998	74,355	2,053	72,302	74,355
Other financial assets	-	3,522	3,522	-	3,522
Cash and cash equivalents	-	252,832	252,832	-	252,832
Total financial assets	$ 1,998	$ 575,498	$ 461,248	$ 114,250	$ 575,498
Liabilities					
Financial liabilities	$ -	$ 650,675	$ 8,377	$ 642,298	$ 752211
Lease liabilities	-	53,501	11271	42,230	53,501
Other liabilities	-	3,357	-	3,357	3,357
Trade payables	-	73,099	73,099	-	73,099
Other payables	-	50,647	50,647	-	50,647
Financial derivative liabilities	(881)	129,312	7,372	121,940	129,312
Other financial liabilities	-	4,966	4,966	-	4,966
Total financial liabilities	$ (881)	$ 965,557	$ 155,732	$ 809,825	$ 1,067,093

Note 7. Divestiture of Heart Valve Business

Heart Valves

On 2 December 2020, LivaNova entered into a HV Purchase Agreement with Mitral Holdco S.a r.l. (Mitral), a company incorporated under the laws of Luxembourg and wholly owned and controlled by funds advised by Gyrus Capital S.A., a Swiss private equity firm. The Purchase Agreement provides for the divestiture of certain of LivaNova's subsidiaries as well as certain other assets and liabilities relating to the Company's Heart Valve business and site management operations conducted by the Company's subsidiary LSM at the Company's Saluggia campus for €60.0 million (approximately $68.1 million as of 31 December 2021). On 9 April 2021, LivaNova and the Purchaser entered into an A&R Purchase Agreement which amends and restates the original Purchase Agreement to, among other things, defer the closing of the sale and purchase of LSM by up to two years and include or amend certain additional terms relating to such deferral, including certain amendments relating to the potential hazardous substances liabilities of LSM and the related expense reimbursement provisions.

As a result of entering into the HV Purchase Agreement, during the fourth quarter of 2020 the Company concluded that the assets and liabilities of the Heart Valve business being sold meet the criteria to be classified as held for sale. As a result, we recognised an impairment of $89.9 million during the fourth quarter of 2020 to record the Heart Valves disposal group at fair value less estimated cost to sell, which is included within exceptional items on the consolidated statements of income (loss).

The initial closing of the sale of the Heart Valve business occurred on 1 June 2021 and we received €34.8 million (approximately $42.5 million as of 1 June 2021), subject to customary trade working capital and net indebtedness adjustments, as set forth in the Purchase Agreement. We also received $3.0 million on 17 December 2021. An additional €9.3 million (approximately $10.6 million as of 31 December 2021) is payable to LivaNova in 2022. During the year ended 31 December 2021, we recognised a loss from the sale of the Heart Valve business of $26.3 million, which is included within exceptional items on the consolidated statements of income (loss).

In conjunction with the sale, we entered into a transition services agreement to provide certain support services generally for up to twelve months from the closing date of the sale. These services include, among others, accounting, information technology, human resources, quality assurance, regulatory affairs, supply chain, clinical affairs and customer support. During the year ended 31 December 2021, we recognised income of $1.9 million for providing these services. Income recognised related to the transition services agreements is recorded as a reduction to the related expenses in the associated expense line items in the consolidated statements of income (loss).

The major classes of assets and liabilities of the Heart Valves business held for sale on the consolidated balance sheet as at 31 December 2020 were as follows (in thousands):

	During the Year Ended 31 December 2020		Assets and Liabilities Held for Sale as at 31 December 2020
	Reclassified from Held and Used	Impairment of Long-Lived Assets	
Property, plant and equipment	$ 24,691	$ (22,476)	$ 2,215
Intangible assets	72,331	(65,847)	6,484
Right-of-use assets	1,698	(1,546)	152
Deferred tax assets	2,968	-	2,968
Inventories	45,082	-	45,082
Trade receivables	20,059	-	20,059
Other receivables	2,436	-	2,436
Tax receivables	577	-	577
Total assets held for sale	$ 169,842	$ (89,869)	$ 79,973
Long-term lease liabilities	$ 841	$ -	$ 841
Provisions	1,981	-	1,981

	During the Year Ended 31 December 2020		Assets and Liabilities Held for Sale as at 31 December 2020
	Reclassified from Held and Used	Impairment of Long-Lived Assets	
Other liabilities	323	-	323
Provision for employee severance and other employee benefit provisions	4,990	-	4,990
Trade payables	9,389	-	9,389
Other payables	10,055	-	10,055
Tax payable	363	-	363
Current lease liabilities	980	-	980
Total liabilities held for sale	$ 28,922	$ -	$ 28,922

Note 8. Restructuring

We initiate restructuring plans to leverage economies of scale, streamline distribution and logistics and strengthen operational and administrative effectiveness in order to reduce overall costs. A restructuring provision is recorded when a plan is approved and communicated to employees.

During 2020, we initiated a reorganization plan (the “2020 Plan”) to reduce our cost structure. We incurred restructuring expenses of $5.3 million during the year ended 31 December 2020, primarily associated with severance costs for approximately 54 employees, and $9.7 million during 2021, primarily associated with severance costs for 27 additional employees during 2021 under the 2020 Plan and lease abandonment costs.

In November 2019, we initiated a reorganization plan (the “2019 Plan”) to streamline our organizational structure in order to address new regulatory requirements, create efficiencies, improve profitability and ensure business continuity. As a result, we incurred restructuring expenses $1.9 million during the year 31 December 2020, primarily associated with severance costs for approximately 35 impacted employees. The 2019 Plan was completed during 2020.

Additionally, we ended our Caisson TMVR program effective 31 December 2019 after determining that it was no longer viable to continue to invest in the program. As a result, we recognised restructuring expenses of $0.3 million and $3.5 million during the years ended 31 December 2020 and 31 December 2019, respectively, primarily associated with severance costs for approximately 50 impacted employees. The Caisson TMVR restructuring plan was completed during 2020.

The following table provides a reconciliation of the beginning and ending balance of the accruals and other reserves recorded in connection with our restructuring plans included within current provisions and long-term provisions on the consolidated balance sheet (in thousands):

	Employee Severance and Other Termination Costs	Other	Total
Balance 31 December 2019	$ 4,097	$ 1,400	$ 5,497
Charges	7,571	-	7,571
Cash payments	(5,919)	(854)	(6,773)
Balance 31 December 2020	5,749	546	6,295 (1)
Charges	7,963	1,750	9,713
Cash payments	(12,876)	(2,296)	(15,172)
Balance 31 December 2021	$ 836	$ -	$ 836 (2)

(1) The restructuring plans' liabilities are recorded in the Consolidated Balance Sheet as $4.9 million within provisions and $1.4 million within other payables as of 31 December 2020.
(2) The restructuring plans' liabilities are recorded in the Consolidated Balance Sheet as $0.4 million within provisions and $0.4 million within other payables as of 31 December 2021.

The following table presents restructuring expense by reportable segment (in thousands):

	Year Ended 31 December	
	2021	2020 (1)
Cardiopulmonary	$ 2,844	$ 1,040
Neuromodulation	1,531	3,223
Other	5,338	3,308
Total	$ 9,713	$ 7,571

(1) Amounts for the year ended 31 December 2020 reflect the change in the Group’s reportable segments, as discussed in “Note 1. Nature of Operations.”

Note 9. Property, Plant and Equipment

(in thousands)	Land	Buildings and Building Improvements	Equipment, Other, Furniture, Fixtures	Capital Investment in Process	Total
At 31 December 2021					
Gross amount	$ 15,099	$ 79,475	$ 170,814	$ 10,203	$ 275,591
Accumulated depreciation and impairment	-	(23,107)	(111,384)	-	(134,491)
Net amount	$ 15,099	$ 56,368	$ 59,430	$ 10,203	$ 141,100

(in thousands)	Land	Buildings and Building Improvements	Equipment, Other, Furniture, Fixtures	Capital Investment in Process	Total
At 31 December 2020					
Gross amount	$ 15,750	$ 77,061	$ 177,482	$ 19,531	$ 289,824
Accumulated depreciation and impairment	-	(20,348)	(113,201)	-	(133,549)
Net amount	$ 15,750	$ 56,713	$ 64,281	$ 19,531	$ 156,275

Changes during the year in the net amount of each category of property, plant and equipment are indicated below (in thousands):

	Land	Buildings and Building Improvements	Equipment, Other, Furniture, Fixtures	Capital Investment in Process	Total
Net Amount at 31 December 2019	$ 15,165	$ 68,146	$ 69,850	$ 15,760	$ 168,921
Additions	-	1,225	11,738	16,921	29,884
Disposals	-	(23)	(503)	(355)	(881)
Impairment	-	-	(20)	3	(17)
Depreciation	-	(5,378)	(18,271)	-	(23,649)
Currency translation loss	753	3,724	3,067	791	8,335
Assets held for sale	(168)	(13,470)	(10,118)	(935)	(24,691)
Reclassifications[1]	-	2,489	8,538	(12,654)	(1,627)
Net Amount at 31 December 2020	15,750	56,713	64,281	19,531	156,275
Additions	-	1,329	9,234	9,218	19,781
Disposals	-	(607)	(2,037)	(815)	(3,459)
Depreciation	-	(4,819)	(15,867)	-	(20,686)
Currency translation gain	(651)	(2,330)	(4,925)	1,321	(6,585)
Reclassifications[2]	-	6,082	8,744	(19,052)	(4,226)
Net Amount at 31 December 2021	$ 15,099	$ 56,368	$ 59,430	$ 10,203	$ 141,100

[1] Total reclassifications of capital investment in process during the year ended 31 December 2020 represents reclassification of $1.6 million to intangible assets as assets were placed into service.
[2] Total reclassifications of capital investment in process during the year ended 31 December 2021 represents reclassification of $4.2 million to intangible assets as assets were placed into service as well as the remaining balance of software included in capital investment in process.

Note 10. Goodwill and Intangible Assets

(in thousands)	Goodwill	Developed Technology	Customer Relationships	Trade Names
At 31 December 2021				
Gross amount	$ 579,762	$ 219,706	$ 192,800	$ 25,154
Accumulated amortisation and impairment	-	(68.488)	(65,106)	(16,500)
Net amount	$ 579.762	$ 151,218	$ 127.694	$ 8.654
At 31 December 2020				
Gross amount	$ 591,639	$ 227,247	$ 202,546	$ 26,261
Accumulated amortisation and impairment	-	(56,933)	(56,787)	(16,837)
Net amount	$ 591,639	$ 170,314	$ 145.759	$ 9.424

(in thousands)	In-Process R&D	Other Intangible Assets	Software	Total
At 31 December 2021				
Gross amount	$ 112,000	$ 623	$ 35,951	$ 586,234
Accumulated amortisation and impairment	-	(505)	(27,112)	(177,711)
Net amount	$ 112,000	$ 118	$ 8,839	$ 408.523
At 31 December 2020				
Gross amount	$ 112,000	$ 1,041	$ 32,527	$ 601,622
Accumulated amortisation and impairment	-	(903)	(24,996)	(156,456)
Net amount	$ 112,000	$ 138	$ 7,531	$ 445,166

The changes in the net carrying value of each class of intangible assets during the year are indicated below (in thousands):

	Goodwill	Developed Technology	Customer Relationships	Trade Names
Net Amount at 31 December 2019	$ 582,324	$ 206,192	$ 193,174	$ 10,193
Additions	-	-	3,366	-
Amortisation	-	(18,186)	(14,292)	(769)
Impairment[1]	-	-	-	-
Currency translation gains	9,315	7.047	6,951	-
Assets held for sale	-	(24,739)	(43,440)	-
Reclassifications	-	-	-	-
Net Amount at 31 December 2020	591,639	170,314	145,759	9.424
Additions	-	-	-	-
Amortisation	-	(14,201)	(11,512)	(770)
Currency translation (losses) gains	(11,877)	(4,895)	(6,553)	-

	Goodwill	Developed Technology	Customer Relationships	Trade Names
Reclassifications	-	-	-	-
Net Amount at 31 December 2021	$ 579.762	$ 151,218	$ 127,694	$ 8,654

	In-Process R&D	Other Intangible Assets	Software	Total
Net Amount at 31 December 2019	$ 115.800	$ 263	$ 12,142	$ 537,764
Additions	-	36	6,021	9.423
Amortisation	-	(167)	(5,384)	(38,798)
Impairment[(1)]	-	-	(6,745)	(6,745)
Currency translation gains	-	2	226	14,226
Assets held for sale	(3,800)	-	(352)	(72,331)
Reclassifications	-	4	1,623	1,627
Net Amount at 31 December 2020	112,000	138	7,531	445,166
Additions	-	11	1,037	1,048
Amortisation	-	(33)	(3,765)	(30,281)
Currency translation (losses) gains	-	2	(190)	(11,636)
Reclassifications	-	-	4,226	4,226
Net Amount at 31 December 2021	$ 112,000	$ 118	$ 8,839	$ 408,523

(1) During the fourth quarter of 2020, the Company recorded an impairment of $6.7 million associated with certain capitalised software development costs in the Neuromodulation reportable segment, which is included within exceptional items on the consolidated statements of income (loss).

Amortisation of intangible assets charged to the consolidated statement of (loss) income totalled $30.3 million and $38.8 million for the year ended 31 December 2021 and 31 December 2020, respectively, and is included within cost of sales, selling, general and administrative and research and development.

The amortisation periods for our finite-lived intangible assets as at 31 December 2021 were as follows:

	Minimum Life in Years	Maximum Life in Years
Developed technology[(1)]	14	17
Customer relationships[(1)]	8	18
Trade names	15	15
Software	3	10

(1) As at 31 December 2021, developed technology from the Merger had a remaining useful life of 9 to 12 years, customer relationships from the Merger had a remaining useful life of 12 years and developed technology from the TandemLife acquisition had a remaining useful life of 12 years.

The amortisation periods for our finite-lived intangible assets as at 31 December 2020 were as follows:

	Minimum Life in Years	Maximum Life in Years
Developed technology[(1)]	14	17
Customer relationships[(1)]	10	18
Trade names	15	15
Software	3	10

(1) As at 31 December 2020, developed technology from the Merger had a remaining useful life of 12 years to 13 years, customer relationships from the Merger had a remaining useful life of 10 years and developed technology from the TandemLife acquisition had a remaining useful life of 9 years.

Impairment of Goodwill and Intangible Assets

Our CGUs consist of Cardiopulmonary, Advanced Circulatory Support, Obstructive Sleep Apnea, and Neuromodulation. The carrying amount of goodwill by CGU (in thousands):

	31 December 2021	31 December 2020
Cardiopulmonary[(1)]	$ 62,888	$ 74,765
Advanced Circulatory Support	118,120	118,120
Obstructive Sleep Apnea	82,595	82,595
Neuromodulation	316,159	316,159
Total	$ 579,762	$ 591,639

(1) Cardiopulmonary goodwill is primarily denominated in foreign currencies and is therefore subject to foreign exchange fluctuations.

We performed quantitative assessments of our CGUs as of 31 December 2021 in accordance with IAS 36 "Impairment of Assets." The methodology applied to our CGUs value in use calculations, reflecting past experience and external sources of information, including Board approved budgets based on pre-tax cash flows with discount rates between 10% and 19% derived from the Company's benchmarked WACC and an expected revenue growth rate for all CGUs. The discount rates utilized in the assessments of our Cardiopulmonary, Neuromodulation, Advanced Circulatory Support and Obstructive Sleep CGUs as of 31 December 2021 were 10.0%, 10.5%, 16.5% and 19.0%, respectively. The discount rates utilized in the assessments of our Cardiopulmonary, Neuromodulation, Advanced Circulatory Support and Obstructive Sleep Apnea CGUs as of 31 December 2020 were 9.0%, 10.0%, 17.5% and 19.0%, respectively. The goodwill associated with all our CGU's was determined not to be impaired.

Additionally, as of 31 December 2021, we performed a quantitative assessment of the IPR&D recognised in conjunction with the acquisition of ImThera. The value in use calculation was based on a projection period of 22 years. The assessment included a discounted cash flow model test that included a discount rate of 18% and an expected revenue growth rate. Based on the assessment performed, we determined that the IPR&D asset was not impaired. The fair value of the IPR&D asset recognised in conjunction with the acquisition of ImThera exceeded its carrying value by approximately 65% or $73.3 million as of 31 December 2021.

The value in use models used for calculating the recoverable amount is most sensitive to the discount rate as well as the expected revenue growth rate. We performed a sensitivity analysis, as at 31 December 2021, for each of these assumptions for each CGU and determined that an increase of 0.5% in the discount rate used, or a decrease of 0.5% in the expected revenue growth rate, which we consider to be reasonably possible changes, resulted in a reduction of headroom for our Neuromodulation, Cardiopulmonary, Advanced Circulatory Support and Obstructive Sleep Apnea CGU's of approximately $220 million, $80 million, $35 million and $22 million, respectively, and would not result in an impairment of goodwill associated with any of our CGU's.

Note 11. Investments in Subsidiaries

Subsidiaries. The Company had the following subsidiaries as at 31 December 2021:

	Registered Office	Country of Incorporation	% Consolidated Group Ownership
LivaNova PLC (Italian Branch)	Via Benigno Crespi 17 20159 Milan, Italy	Italy	100
Caisson Interventional, LLC	6500 Wedgwood Rd., Maple Grove, MN 55311	U.S.	100
CardiacAssist, Inc. Dba TandemLife	620 Alpha Drive, Ste 200, Pittsburgh, PA 15238	U.S.	100
Cyberonics Holdings LLC	100 Cyberonics Boulevard, Houston, TX 77058 USA	U.S.	100
Cyberonics Netherlands CV	100 Cyberonics Boulevard, Houston, TX 77058 USA	Netherlands	100
Cyberonics Spain SL(1)	100 Cyberonics Boulevard, Houston, TX 77058 USA	Spain	100
ImThera Medical, Inc.	100 Cyberonics Boulevard, Houston, TX 77058 USA	U.S.	100
LivaNova Australia PTY Limited	Tower 2, 123 St Georges Terrace Perth, WA 6000	Australia	100
LivaNova Austria GmbH	Millennium Tower, Handelskai 94-96, 1200 Wien	Austria	100
LivaNova Belgium NV	Ikaroslaan 83, 1930 Zaventem, Belgium	Belgium	100
LivaNova Brasil Comércio e Distribuição de Equipamentos Médico-hospitalares Ltda	Rua Liege, 54 - Vila Vermelha, 04298-070 - São Paulo - SP - Brasil	Brazil	100
LivaNova Canada Inc.	8-280 Hillmount Road Markham, ON L6C 3A1	Canada	100
LivaNova Cayman Limited	Cannon Place, Grand Cayman, Cayman Islands	Cayman Islands	100
LivaNova Chile SpA	Santiago, Chile	Chile	100
LivaNova Colombia Sas	Avenida Calle 80 No. 69-70 Bodega 37, Bogota, Colombia	Colombia	100
LivaNova Deutschland GmbH	Lindberghstrasse 25, D - 80939 München, Germany	Germany	100
LivaNova España, S.L.	Avenida Diagonal 123, planta 10, 08005, Barcelona, Spain	Spain	100
LivaNova Finland OY	c/o Kalliolaw Asianajotoimisto Oy, Södra kajen 12, 00130 Helsinki, Finland	Finland	100
LivaNova Holding S.r.l.	Via Benigno Crespi, 17 - 20159 Milano, Italy	Italy	100
LivaNova Hong Kong Limited	9/F, Wah Yuen Bldg, 149 Queen's Road, Central, Hong Kong, Hong Kong	Hong Kong	100
LivaNova Hungary Limited Liability Company	H-1062 Budapest, Váci út 1-3, A épület, 6. em.	Hungary	100
LivaNova, Inc.	100 Cyberonics Boulevard, Houston, TX 77058 USA	U.S.	100
LivaNova India Private Limited	603-A, Copia Corporate Suites, Building #09, Jasola District Centre, New Delhi, India 110025	India	100
LivaNova IP Limited	20 Eastbourne Terrace, London, England W2 6LG, United Kingdom	United Kingdom	100
LivaNova Japan K.K.	11-1 Nagatacho 2 chome, Chiyoda-ku, Tokyo, 100-6110 Japan	Japan	100
LivaNova (Thailand) Ltd	4,4/5 Zen World Tower Level 12, Rajdamri Road, Pathumwan, Pathumwan, Bangkok, 10330, Thailand	Thailand	100
LivaNova (China) Medical Technology Co. Ltd	Room 3006, 30F, C Building, SML Centre, No. 610 Xujiahui Road, Huangpu District, Shanghai, 200025, China	China	100
LivaNova Malaysia Sdn. Bhd.	Unit A-3-6, TTDI Plaza, Jalan Wan Kadir 3, Taman Tun Dr Ismail, 60000 Kuala Lumpur, Malaysia	Malaysia	100
LivaNova Nederland N.V.	Westerdoksdijk 423, 1013 BX, Amsterdam, Netherlands	Netherlands	100
LivaNova Norway AS	c/o AmestoAccounthouse AS, Smeltedigelen 1, 0195 Oslo, Norway	Norway	100
LivaNova Poland Sp. Z o.o.	Park Postepu Bud A U1. Postepu 21 PL-02 676 Warszawa, Poland	Poland	100
LivaNova SAS	Issy-les-Moulineaux (92130), 24 rue du Gouverneur Général Éboué,	France	100
LivaNova Scandinavia AB	Djupdalsvägen 16, 192 51 Sollentuna, Sweden	Sweden	100
LivaNova Singapore Pte Ltd	11 North Buona Vista Drive #13-09, The Metropolis, Singapore 138589	Singapore	100
LivaNova Site Management S.r.l.	Via Benigno Crespi 17 20159 Milan, Italy	Italy	100
LivaNova Switzerland SA	Rue du Grand-Pont 12, 1003 Lausanne	Switzerland	100
LivaNova Taiwan Co. Ltd	2F., No. 101, Songren Rd., Xinyi Dist., Taipei City, 11073, Taiwan (R.O.C.)	Taiwan	100
LivaNova Turkey Medikal Limited Sirketi	Nart E-office, Pol Center Ecza Sok. No.4 Levent Istanbul	Turkey	100

	Registered Office	Country of Incorporation	% Consolidated Group Ownership
LivaNova UK Limited	1370 Montpellier Court, Gloucester Business Park, Gloucester, Gloucestershire, GL3 4AH, United Kingdom	United Kingdom	100
LivaNova USA, Inc.	100 Cyberonics Boulevard, Houston, TX 77058 USA	U.S.	100
LIVN Irishco 2 UC	Deloitte, 6 Lapps Quay, Cork, T12 TA48, Ireland	Ireland	100
LIVN Irishco Unlimited Company	Deloitte, 6 Lapps Quay, Cork, T12 TA48, Ireland	Ireland	100
LIVN Luxco 2 sarl	15 Rue Edward Steichen L-2540 Luxembourg	Luxembourg	100
LIVN UK 2 Co Limited	20 Eastbourne Terrace, London, England W2 6LG, United Kingdom	United Kingdom	100
LIVN UK Holdco Limited	20 Eastbourne Terrace, London, England W2 6LG, United Kingdom	United Kingdom	100
LIVN US 3, LLC	100 Cyberonics Boulevard, Houston, TX 77058 USA	U.S.	100
LIVN US 5, LLC	100 Cyberonics Boulevard, Houston, TX 77058 USA	U.S.	100
Sorin Group Czech Republic s.r.o	Na poriçi 1079/3a Nové Mesto Praha 110 00 Praha 1, Czech Republic	Czech Republic	100
Sorin Group Italia S.r.l.	Via Benigno Crespi, 17 - 20159 Milano, Italy	Italy	100
Sorin Group Rus LLC	Marshal Proshlyakov str. 30 office 304 123458 Moscow, Russia	Russia	100

(1) As of 31 December 2021 the following subsidiaries were in liquidation: LIVN Irishco Unlimited Company and Cyberonics Spain SL (Liquidated in March 2022)

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of Ordinary Shares held.

Operating performance of the main group companies - 5% and greater of external net sales:

Sorin Group Italia S.r.l.	For the Year Ended 31 December	
(thousands of Euros)	2021	2020
Net sales, including intercompany sales	213,864	254,154
Earnings before interest and taxes	(82,337)	(30,763)
Net loss	(86,316)	(28,324)

LivaNova Deutschland GmbH[1]	For the Year Ended 31 December	
(thousands of Euros)	2021	2020
Net sales, including intercompany sales	90,520	94,805
Earnings before interest and taxes	(7,380)	(10,898)
Net loss	(4,671)	(7,909)

(1) LivaNova Deutschland GmbH is a 100% consolidated LivaNova group company that is formally exempt for FS 2021 from GERMAN GAAP auditing and publishing.

CardiacAssist, Inc. Dba TandemLife	For the Year Ended 31 December	
(thousands of USD)	2021	2020
Net sales, including intercompany sales	55,160	42,232
Earnings before interest and taxes	(3,696)	(6,309)
Net profit	(3,863)	9,080

LivaNova USA, Inc.	For the Year Ended 31 December	
(thousands of USD)	2021	2020
Net sales, including intercompany sales	672,792	547,366
Earnings before interest and taxes	(165,985)	(10,922)
Net loss	(332,813)	(95,013)

LivaNova Canada Corp. was disposed in 2021 and is no longer disclosed.

Note 12. Financial Assets

Non-Current Financial Assets

(in thousands)	31 December 2021	31 December 2020
Investments in equity instruments in privately-held companies	$ 15,811	$ 30,701
Corporate owned life insurance policies	6,662	5,532
Prepaid finance costs	1,895	1,791
Financial receivable due from equity investment	272	260
Total non-current financial assets	$ 24,640	$ 38,284

The table below lists our non-current financial assets of investments in equity instruments in privately-held companies held at cost, which we believe it is an appropriate estimate of fair value unless more recent information is available sufficient to measure fair value, in the consolidated balance sheet (in thousands):

	Percent Ownership 31 December 2021	Percent Ownership 31 December 2020
ShiraTronics, Inc.	14.9%	13.4%
Noctrix Health, Inc.	10.5%	12.0%
ALung Technologies, Inc.[1]	3.0%	3.0%
Ceribell, Inc.	3.0%	3.0%

	Percent Ownership 31 December 2021	Percent Ownership 31 December 2020
MD Start II[(2)]	9.3%	9.3%
Rainbow Medical Ltd.	1.6%	1.6%
Highlife SAS	7.0%	7.0%
Respicardia, Inc.[(3)]	0.0%	19.5%

			Fair Value	
	Security	Address	31 December 2021	31 December 2020
ShiraTronics, Inc.	Series A Preferred Shares	9210 Wyoming Ave. N., Suite 275, Brooklyn Center, MN 55445	$ 3,331	$ 2,045
Noctrix Health, Inc.	Series A Preferred Shares	724 Brannan St., San Francisco, CA 94103	3,159	1,359
ALung Technologies, Inc.[(1)]	Series C Preferred Shares	2500 Jane St., Pittsburgh, PA 15203	3,000	3,000
Ceribell, Inc.	Series B Preferred Shares	2483 Old Middlefield Way #120, Mountain View, CA 94043	3,000	3,000
MD Start II[(2)]	Series A Shares	7-11 bd Haussmann, 75009 Paris, France	1,135	1,227
Rainbow Medical Ltd.	Ordinary Shares	85 Medinat Hayehudim St., Business Park, G Building, Herzeliya Pituach, Israel	1,111	1,201
Highlife SAS	Series A Preferred Shares	168 rue de Grenelle, 75007 Paris, France	1,075	1,163
Respicardia, Inc.[(3)]	Series D Preferred Shares	12400 Whitewater Dr #150, Minnetonka, MN 55343	-	17,706
			$ 15,811	$ 30,701

(1) ALung Technologies, Inc. (ALung) is a privately held medical device company focused on creating advanced medical devices for treating respiratory failure. We had a loan outstanding to ALung with a carrying amount of $2.5 million and $2.5 million as of 31 December 2021 and 2020, respectively, which is included in other financial assets and other current assets on the consolidated balance sheet. On 5 April 2022, we entered into an Agreement and Plan of Merger to acquire the remaining 97% equity interests in ALung Technologies, Inc. For more information, please refer to "Note 34. Subsequent Events."

(2) During the second quarter of 2021 the Company received a cash dividend from its investment in MD Start II of $3.1 million, which is included in foreign exchange and other gains/(losses) on the consolidated statements of income (loss) for the year ended 31 December 2021.

(3) In April 2021, Zoll Medical Corporation acquired Respicardia Inc. As a result of the acquisition we received proceeds of $23.1 million for our investment and loan receivable with carrying values of $17.7 million and $0.8 million as of 31 December 2020, respectively. The Company recorded a gain of $4.6 million during the first quarter of 2021 to adjust the investment and loans receivable to fair value, which is included in foreign exchange and other gains/(losses) on the consolidated statements of income (loss) for the year ended 31 December 2021.

The table below lists our non-current equity investments in associates as at 31 December 2021:

	Percent Ownership 31 December 2021	Percent Ownership 31 December 2020	Address
MD Start I K.G.	23.4%	23.4%	7-11 bd Haussmann, 75009 Paris, France
Enopace Biomedical Ltd.	34.5%	34.5%	15 Alon ha-Tavor Street, Caesarea, Haifa District, Israel
Cardiosolutions, Inc.	35.3%	35.3%	375 West Street, West Bridgewater, MA 02379
La Bouscarre S.C.I.	50.0%	50.0%	Route de Revel, 31450 Fourquevaux, France
MD Start III[(1)]	10.4%	10.4%	7-11 bd Haussmann, 75009 Paris, France

(1) We are required to fund up to a total of approximately €5.0 million (approximately $5.7 million as of 31 December 2021) based on cash calls. There were no outstanding cash calls as at 31 December 2021 and 2020.

Current Financial Assets:

(in thousands)	31 December 2021	31 December 2020
Financial receivables due from equity investments	$ 2,495	$ 3,306
Other receivables	3,008	216
Total current financial assets	$ 5,503	$ 3,522

Note 13. Inventories

Inventories consisted of the following (in thousands):

	31 December 2021	31 December 2020 Restated[(1)]
Raw materials	$ 43,958	$ 43,257
Work-in-process	14,161	8,055
Finished goods	47,721	63,973
Total	$ 105,840	$ 115,285

(1) Finished goods and total inventories as of 31 December 2020 have been restated. For further details refer to "Note 1. Nature of Operations. "

Inventory charged to cost of sales for the years ended 31 December 2021 and 2020 totalled $246.1 million and $249.6 million, respectively. Inventories are reported net of the provision for obsolescence which totalled $8.9 million and $6.6 million as at 31 December 2021 and 31 December 2020, respectively. The provisions for obsolescence at 31 December 2021 and 2020 reflect normal obsolescence and includes components that are phased out or expired.

Note 14. Trade Receivables and Other Receivables

Trade receivables, net, consisted of the following (in thousands):

	31 December 2021	31 December 2020
Trade receivables from third parties	$ 198,865	$ 194,666
Expected credit loss provision	(13,511)	(10,310)
Total	$ 185,354	$ 184,356

Our customers consist of hospitals, other healthcare institutions, distributors, organized purchase groups and government and private entities. Actual collection periods for trade receivables vary significantly as a function of the nature of the customer (e.g. government or private) and its geographic location.

Trade receivables are reported net of the expected credit loss provision, the changes in which are provided below (in thousands):

	31 December 2021	31 December 2020
Beginning of year	$ (10,310)	$ (13,105)
Additions to provision	(5,206)	(6,421)
Utilisation	1,204	1,103
Reclassified to assets held for sale	-	8,913
Currency translation gains (losses)	801	(800)
End of year	$ (13,511)	$ (10,310)

Below is a summary of other receivables (in thousands):

	31 December 2021	31 December 2020
Prepaid assets	$ 27,541	$ 15,972
Deposit and advances to suppliers	1,978	2,366
Guarantee deposits	721	880
Total	$ 30,240	$ 19,218

Note 15. Derivative Financial Instruments

Due to the global nature of our operations, we are exposed to foreign currency exchange rate fluctuations. We enter into foreign FX derivative contracts to reduce the impact of foreign currency exchange rate fluctuations on earnings and cash flow. We are also exposed to equity price risk in connection with our Notes, including exchange and settlement provisions based on the price of our Ordinary Shares at exchange or maturity of the Notes. In addition, the capped call transactions associated with the Notes also include settlement provisions that are based on the price of our Ordinary Shares, subject to a capped price per share.

We measure all outstanding derivatives each period end at fair value and report the fair value as either financial assets or liabilities on the consolidated balance sheets. We do not enter into derivative contracts for speculative purposes. At inception of the contract, the derivative is designated as either a freestanding derivative or a hedge. Derivatives that are not designated as hedging instruments are referred to as freestanding derivatives with changes in fair value included in earnings.

If the derivative qualifies for hedge accounting, changes in the fair value of the derivative will be recorded in AOCI until the hedged item is recognised in earnings upon settlement/termination. FX derivative gains and losses in AOCI are reclassified to our consolidated statements of (loss) income as shown in the tables below. We evaluate hedge effectiveness at inception. Cash flows from derivative contracts are reported as operating activities on our consolidated statements of cash flows.

Freestanding FX Derivative Contracts

The gross notional amount of FX derivative contracts not designated as hedging instruments, outstanding at 31 December 2021 and 31 December 2020, was $136.7 million and $352.6 million, respectively. These derivative contracts are designed to offset the FX effects in earnings of various intercompany loans and trade receivables. We recorded net gains/(losses) for these freestanding derivatives of $10.9 million and $(16.6) million for the years ended 31 December 2021 and 2020, respectively. These gains and (losses) are included in FX and other losses on our consolidated statements of (loss) income.

Counterparty Credit Risk

We are exposed to credit risk in the event of non-performance by the counterparties to our derivatives.

The two counterparties to the capped call transactions are financial institutions. To limit our credit risk, we selected financial institutions with a minimum long-term investment grade credit rating. Our exposure to the credit risk of the counterparties is not secured by any collateral. If a counterparty becomes subject to insolvency proceedings, we will become an unsecured creditor in those proceedings, with a claim equal to our exposure at that time under the capped call transactions with that counterparty.

To manage credit risk with respect to our other derivatives, the Company selects and periodically reviews counterparties based on credit ratings, limits its exposure with respect to each counterparty, and monitors the market positions. However, if one or more of these counterparties were in a liability position to the Company and were unable to meet their obligations, any transactions with the counterparty could be subject to early termination, which could result in substantial losses for the Company.

Cash Flow Hedges

Foreign Currency Risk

We utilize FX derivative contracts, designed as cash flow hedges, to hedge the variability of cash flows associated with our 12- month U.S. dollar forecasts of revenues and costs denominated in British Pound, Japanese Yen and the Euro. We transfer to earnings from AOCI, the gain or loss realized on the FX derivative contracts at the time of invoicing.

There was no hedge ineffectiveness or component of the FX derivative contracts excluded in the measurement of hedge effectiveness during the years ended 31 December 2021 and 31 December 2020.

The gross notional amounts of open derivative contracts designated as cash flow hedges as of 31 December 2021 and 31 December 2020 were as follows (in thousands):

Description of Derivative Contract	31 December 2021	31 December 2020
FX derivative contracts to be exchanged for British Pounds	$ 11,160	$ 9,545
FX derivative contracts to be exchanged for Japanese Yen	6,648	18,637
FX derivative contracts to be exchanged for Euros	58,224	47,444
	$ 76,032	$ 75,626

After-tax net gain associated with derivatives designated as cash flow hedges recorded in the ending balance of AOCI and the amount expected to be reclassified to earnings over the next 12 months as at 31 December 2021 and 2020 were as follows (in thousands):

Description of Derivative Contract	After-Tax Net Loss in AOCI as at 31 December 2021	Amount Expected to be Reclassified to Earnings Over the Next 12 Months
FX derivative contracts	$ (945)	$ (945)

Description of Derivative Contract	After-Tax Net Gain in AOCI as at 31 December 2020	Amount Expected to be Reclassified to Earnings Over the Next 12 Months
FX derivative contracts	$ 2,319	$ 2,319

Presentation in Financial Statements

Pre-tax gains (losses) for derivative contracts designated as cash flow hedges recognised in OCI and the amount reclassified to earnings from AOCI were as follows (in thousands):

		Year Ended 31 December 2021	
Description of Derivative Contract	Location in Earnings of Reclassified Gain or Loss	Losses Recognised in OCI	(Losses) Gains Reclassified from AOCI to Earnings:
FX derivative contracts	Foreign exchange and other losses	$ (3,922)	$ (2,333)
FX derivative contracts	SG&A	-	2,408
Total		$ (3,922)	$ 75

		Year Ended 31 December 2020	
Description of Derivative Contract	Location in Earnings of Reclassified Gain or Loss	Gains Recognised in OCI	(Losses) Gains Reclassified from AOCI to Earnings:
FX derivative contracts	Foreign exchange and other losses	$ 1,724	$ (1,522)
FX derivative contracts	SG&A	-	980
Interest rate swap contracts	Finance expense	-	(113)
Total		$ 1,724	$ (655)

We offset fair value amounts associated with our derivative instruments on our consolidated balance sheets that are executed with the same counterparty under master netting arrangements. Our netting arrangements include a right to set off or net together purchases and sales of similar products in the settlement process.

The following tables present the fair value, and the location of, derivative contracts reported on the consolidated balance sheets (in thousands):

31 December 2021	Asset Derivatives		Liability Derivatives	
Derivatives Designated as Hedging Instruments	Balance Sheet Location	Fair Value[1]	Balance Sheet Location	Fair Value[1]
FX derivative contracts	Current financial derivative liabilities	$ 243	Current financial derivative liabilities	$ 1,286
Total derivatives designated as hedging instruments		243		1,286
Derivatives Not Designated as Hedging Instruments				
FX derivative contracts	Current financial derivative liabilities	61	Current financial derivative liabilities	427
Capped call derivatives	Current financial derivative assets	106,629		
Embedded exchange feature			Current financial derivative liabilities	181,700
Total derivatives not designated as hedging instruments		106,690		182,127
Total derivatives		$ 106,933		$ 183,413

[1] For the classification of input used to evaluate the fair value of our derivatives, refer to "Note 5. Fair Value Measurements."

31 December 2020	Asset Derivatives		Liability Derivatives	
Derivatives Designated as Hedging Instruments	Balance Sheet Location	Fair Value[1]	Balance Sheet Location	Fair Value[1]
FX derivative contracts	Current financial derivative assets	$ 1,998	Current financial derivative liabilities	$ 14

31 December 2020	Asset Derivatives		Liability Derivatives	
Derivatives Designated as Hedging Instruments	Balance Sheet Location	Fair Value[1]	Balance Sheet Location	Fair Value[1]
FX derivative contracts	Current financial derivative liabilities	895		
Total derivatives designated as hedging instruments		2,893		14
Derivatives Not Designated as Hedging Instruments				
Interest rate swap contracts			Current financial derivative liabilities	74
FX derivative contracts	Current financial derivative assets	55	Current financial derivative liabilities	4,073
Capped call derivatives	Long-term financial derivative asset	72,302		
Embedded exchange feature			Long-term financial derivative liability	121,756
Other derivatives			Current financial derivative liabilities	4,106
Other derivatives			Long-term financial derivative liability	184
Total derivatives not designated as hedging instruments		72,357		130,193
Total derivatives		$ 75,250		$ 130,207

[1] For the classification of inputs used to evaluate the fair value of our derivatives, refer to "Note 5. Fair Value Measurements."

Note 16. Shareholders' Equity

LivaNova is incorporated in England and Wales as a public company limited by shares. The principal legislation under which LivaNova operates is the Companies Act 2006, and regulations made thereunder. LivaNova Ordinary Shares were registered under the U.S. Securities Act, pursuant to the Registration Statement on Form S-4 (File No. 333-203510), as amended, filed with the SEC by LivaNova and declared effective on 19 August 2015. LivaNova's Ordinary Shares are listed on Nasdaq under the ticker symbol "LIVN."

The Company's authorised share capital is as follows:

(in number of shares)	31 December 2021	31 December 2020
Authorised share capital, Ordinary Shares of £1 each, unlimited shares authorised		
Issued[1]	53,761,510	49,447,473
Outstanding	53,263,297	48,655,863

(1) Allotted, fully paid and issued.

Preferred shares.

LivaNova may issue preferred shares by special resolution or by determination by the Board of LivaNova.

Treasury shares.

Shares held by the Employee Benefit Trust (EBT) are issued to employees and directors at exercise of stock-based compensation grants. The balance of shares in the EBT are reported as treasury shares. We did not issue any additional shares to our EBT during the years ended 31 December 2021 or 31 December 2020.

Group reconstruction reserve.

The 'Group reconstruction reserve' represents the excess of value attributed to shares and share appreciation rights issued during the acquisition of Sorin S.p.A on 19 October 2015 over the nominal value of those shares and share rights. Additionally, on 6 August 2021, the Company closed an offering and issued 4,181,818 ordinary shares, par value £1.00 per share, at an offering price of $82.50 per share. Net proceeds from the offering were approximately $322.5 million, after deducting underwriting discounts, commissions and offering expenses, of which $316.7 million was recognised as group reconstruction reserve.

Comprehensive income (loss).

The table below presents the change in each component of AOCI (loss), net of tax and the reclassifications out of AOCI (loss) into retained deficit.

Taxes were not provided for foreign currency translation adjustments for the years ended 31 December 2021 and 2020 as translation adjustment related to earnings are intended to be reinvested in the countries where earned.

(in thousands)	Change in Unrealised Gain (Loss) on Derivatives	Foreign Currency Translation Adjustments	Revaluation of Net Liability (Asset) for Defined Benefits	Total
Beginning Balance - 31 December 2019	$ 513	$ (20,021)	$ (2,083)	$ (21,591)
Other comprehensive income (loss) before reclassifications, before tax	1,724	23,780	(1,321)	24,183
Tax (expense) benefit	(415)	-	339	(76)
Other comprehensive income (loss) before reclassifications, net of tax	1,309	23,780	(982)	24,107
Reclassification of loss from accumulated other comprehensive income, before tax	655	-	-	655
Tax effect	(158)	-	-	(158)

(in thousands)	Change in Unrealised Gain (Loss) on Derivatives	Foreign Currency Translation Adjustments	Revaluation of Net Liability (Asset) for Defined Benefits	Total
Reclassification of loss from accumulated other comprehensive income, after tax	497	-	-	497
Net other comprehensive income (loss), net of tax	1,806	23,780	(982)	24,604
Ending Balance -31 December 2020	2,319	3,759	(3,065)	3,013
Other comprehensive (loss) income before reclassifications, before tax	(3,922)	(5,965)	1,095	(8,792)
Tax benefit (expense)	719	-	(163)	556
Other comprehensive (loss) income before reclassifications, net of tax	(3,203)	(5,965)	932	(8,236)
Reclassification of gain from accumulated other comprehensive loss, before tax	(75)	-	-	(75)
Tax effect	14	-	-	14
Reclassification of gain from accumulated other comprehensive loss, after tax	(61)	-	-	(61)
Net other comprehensive loss, net of tax	(3,264)	(5,965)	932	(8,297)
Ending Balance - 31 December 2021	$ (945)	$ (2,206)	$ (2,133)	$ (5,284)

Note 17. Financial Liabilities

The outstanding principal amount of our unsecured long-term debt at 31 December 2021 and at 31 December 2020 was as follows (in thousands, except interest rates):

	31 December 2021	31 December 2020	Maturity	Interest Rate
2020 Cash Exchangeable Senior Notes	$ 225,140	$ 212,073	December 2025	3.00%
Bank of America Merrill Lynch Banco Múltiplo S.A.	6,113	6,515	July 2023	7.24%
Mediocredito Italiano	3,319	5,406	December 2023	0.50% - 2.74%
Bank of America, U.S.[1]	1,500	2,019	January 2023	2.66%
2020 Senior Secured Term Loan	-	424,002		
Other	600	660		
Total long-term facilities	236,732	650,675		
Less current portion of long-term debt	226,946	8,377		
Total long-term debt	$ 9,786	$ 642,298		

[1] Represents borrowings with a LIBOR-based variable interest rate that has not yet transitioned to SOFR or an alternative interest rate benchmark.

Movements associated with the outstanding principal amounts of our long-term debt for the year ended 31 December 2021 included the following (in thousands):

	Beginning of Fiscal Year 2021	Scheduled Principal Reductions	Early Extinguishment
2020 Senior Secured Term Loan	$ 424,002	$ -	$ (426,951)
2020 Cash Exchangeable Senior Notes	212,073	-	-
Bank of America Merrill Lynch Banco Múltiplo S.A.	6,515	-	-
Mediocredito Italiano	5,406	(1,680)	-
Bank of America, U.S.	2,019	-	(519)
Other	660	(57)	-
Totals	$ 650,675	$ (1,737)	$ (427,470)

	Amortisation of Prepaid Loan Fees	FX - Translation and Other	End of Fiscal Year 2021
2020 Senior Secured Term Loan	$ 2,949	$ -	$ -
2020 Cash Exchangeable Senior Notes	13,067	-	225,140
Bank of America Merrill Lynch Banco Múltiplo S.A.	-	(402)	6,113
Mediocredito Italiano	-	(347)	3,379
Bank of America, U.S.	-	-	1,500
Other	-	(3)	600
Totals	$ 16,016	$ (752)	$ 236,732

Movements associated with the outstanding principal amounts of our long-term debt for the year ended 31 December 2020 included the following (in thousands):

	Beginning of Fiscal Year 2020	Borrowing	Scheduled Principal Reductions
2020 Senior Secured Term Loan	$ -	$ 421,542	$ -
2020 Cash Exchangeable Senior Notes	-	205,509	-
Bank of America Merrill Lynch Banco Múltiplo S.A.	8,422	-	(5)
Mediocredito Italiano	6,222	-	(1,457)

	Beginning of Fiscal Year 2020	Borrowing	Scheduled Principal Reductions
Bank of America, U.S.	2,004	-	
2019 Debt Facility	184,275	162,899	-
2017 European Investment Bank	103,570	-	-
2014 European Investment Bank	28,053	-	-
Other	669	-	(60)
Totals	$ 333,215	$ 789,950	$ (1,522)

	Early Extinguishment	Amortisation of Prepaid Loan Fees	FX - Translation and Other	End of Fiscal Year 2020
2020 Senior Secured Term Loan	$ -	$ 2,460	$ -	$ 424,002
2020 Cash Exchangeable Senior				
Notes	-	6,564	-	212,073
Bank of America Merrill Lynch				
Banco Múltiplo S.A.	-	-	(1,902)	6,515
Mediocredito Italiano	-	61	580	5,406
Bank of America, U.S.	-	-	15	2,019
2019 Debt Facility	(348,924)	1,623	127	-
2017 European Investment Bank	(103,570)	-	-	-
2014 European Investment Bank	(28,049)	-	(4)	-
Other	-	-	51	660
Totals	$ (480,543)	$ 10,708	$ (1,133)	$ 650,675

Revolving Credit

The outstanding principal amount of our short-term unsecured revolving credit agreements and other agreements with various banks was $2.7 million and $5.0 million at 31 December 2021 and 31 December 2020, respectively, with interest rates ranging from 2.85% to 7.24% and loan terms ranging from overnight to 364 days.

On 13 August 2021, LivaNova PLC and its wholly-owned subsidiary, LivaNova USA, Inc. (the "Borrower") entered into a First Lien Credit Agreement with the lenders and issuing banks party thereto and Goldman Sachs Bank USA, as First Lien Administrative Agent and First Lien Collateral Agent, and Goldman Sachs Bank USA, Barclays Bank PLC and UBS AG, Stamford Branch as lenders, relating to a $125 million senior secured multi-currency revolving credit facility to be made available to the Borrower (the "2021 Revolving Credit Facility"). The 2021 Revolving Credit Facility, as amended on 16 March 2022, expires on 13 August 2026 and bears interest at a rate equal to, for U.S. dollar-denominated loans, an adjusted Secured Overnight Financing Rate ("SOFR") with a floor of 0.00%, or a Base Rate, plus, in each case, a variable margin based on the Company's senior secured net leverage ratio. As of 31 December 2021, the applicable margin for Eurodollar loans was 3.00% per annum. Interest is paid monthly or quarterly, as selected by the Borrower, with any outstanding principal due at maturity. The 2021 Revolving Credit Facility also contemplates the payment of commitment fees on the unused portion of the commitments, at a variable percentage based on the Company's senior secured net leverage ratio. At 31 December 2021, the applicable commitment fee percentage was 0.25% per annum. The 2021 Revolving Credit Facility is available for working capital and other general corporate purposes and, if drawn, can be repaid at any time without premium or penalty. The 2021 Revolving Credit Facility contains customary representations, warranties and covenants, including the requirement to maintain a senior secured first lien net leverage ratio of less than 4.50 to 1.00 for as long as there are any revolving loans outstanding under the 2021 Revolving Credit Facility, as well as in order for the Company to borrow additional revolving loans.

There were no outstanding borrowings under the 2021 Revolving Credit Facility as of 31 December 2021.

On 12 August 2021, the Company terminated its previous $50.0 million revolving credit facility agreement with ACF FINCO I LP, which was undrawn, resulting in a loss on debt extinguishment of $1.6 million recognised during the year ended 31 December 2021 primarily associated with the write-off of unamortised debt issuance costs, and is included within loss on debt extinguishment on the consolidated statements of income (loss).

2020 Cash Exchangeable Senior Notes

On 17 June 2020, our wholly-owned subsidiary, LivaNova USA, Inc., issued $287.5 million aggregate principal amount of 3.00% cash exchangeable senior notes (the Notes) by private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended. The sale of the Notes resulted in approximately $278.0 million in net proceeds to the Company after deducting issuance costs. Interest is payable semiannually in arrears on 15 June and 15 December of each year, beginning on 15 December 2020. The EIR of the Notes at 31 December 2021 was 9.95%. The Notes mature on 15 December 2025 unless earlier exchanged, repurchased, or redeemed.

Debt discounts and issuance costs related to the Notes were approximately $82.0 million and included $75.0 million of discount attributable to the embedded exchange feature, discussed below, and $7.0 million of allocated issuance costs to the Notes related to legal, bank and accounting fees. Amortisation of debt discount and issuance costs was $13.1 million for the year ended 31 December 2021 and is included in finance expense on the consolidated statement of income (loss). The unamortised discount related to the Notes as of 31 December 2021 was $62.4 million.

Holders of the Notes are entitled to exchange the Notes at any time during specified periods, at their option. This includes the right to exchange the Notes during any calendar quarter, if the last reported sale price of LivaNova's Ordinary Shares, with a nominal value of £1.00 per share, is greater than or equal to 130% of the exchange price, or $79.27 per share for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter. The exchange condition was satisfied on 20 December 2021, which allowed the holders of the Notes to request to exchange the Notes through 31 March 2022. As a result, we have reclassified our obligations from the Notes and the associated embedded exchange feature derivative as a current liability on the consolidated balance sheet as of 31 December 2021. However, no holders elected to exchange the Notes. The exchange condition was not satisfied during the quarterly period ending 31 March 2022. As such, the Notes are not currently exchangeable. The Notes are exchangeable solely into cash and are not exchangeable into ordinary shares of LivaNova or any other security under any circumstances. The initial exchange rate for the Notes is 16.3980 ordinary shares per $1,000 principal amount of Notes (equivalent to an initial exchange price of approximately $60.98 per share). The exchange rate is subject to adjustment in certain circumstances, as set forth in the indenture governing the Notes.

The Company may redeem the Notes at its option, on or after 20 June 2023 and prior to the 51st scheduled trading day immediately preceding the maturity date, in whole or in part, if the last reported sale price per ordinary share has been at least 130% of the exchange price then in effect for at least 20 trading days (whether or not consecutive), including the trading day immediately preceding the date on which the Company provides notice of redemption, during any 30 consecutive trading day period ending on, and including, the trading day immediately preceding the date on which the Company provides notice of redemption, at a redemption price equal to 100% of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. Additionally, the Company may redeem the Notes at its option, prior to their stated maturity, in whole but not in part, in connection with certain tax-related events.

Embedded Exchange Feature

The embedded exchange feature of the Notes requires bifurcation from the Notes and is accounted for as a derivative liability. The fair value of the Notes' embedded exchange feature derivative at the time of issuance was $75.0 million and was recorded as debt discount on the Notes. This discount is amortised as finance expense using the effective interest method over the term of the Notes. The Notes' embedded exchange feature derivative is carried on the consolidated balance sheets at its estimated fair value and is adjusted at the end of each reporting period, with unrealized gain or loss reflected in the consolidated statements of income (loss). The fair value of the embedded exchange feature derivative liability was $181.7 million as of 31 December 2021.

Capped Call Transactions

In connection with the pricing of the Notes, the Company entered into privately negotiated capped call transactions with certain of the initial purchasers of the Notes or their respective affiliates. The capped call transactions cover, subject to anti-dilution adjustments substantially similar to those applicable to the Notes, the number of LivaNova's Ordinary Shares underlying the Notes and are expected generally to offset any cash payments the Company is required to make upon exchange of the Notes in excess of the principal amount thereof in the event that the market value per ordinary share, as measured under the capped call transactions, is greater than the strike price of the capped call transactions, with such offset being subject to an initial cap price of $100.00 per share. The capped call transactions expire on 15 December 2025 and must be settled in cash. If the capped call transactions are converted or redeemed early, settlement occurs at their termination value, which is equal to their fair value at the time of the redemption. The capped call transactions are carried on the consolidated balance sheets as a derivative asset at their estimated fair value and are adjusted at the end of each reporting period, with unrealised gain or loss reflected within foreign exchange and other gains/(losses) in the consolidated statement of income (loss). The fair value of the capped call derivative assets was $106.6 million as of 31 December 2021. As of 31 December 2021, the capped call derivative assets are classified as current.

2020 Senior Secured Term Loan

The Company used the net proceeds from the 2020 senior secured term loan, together with a portion of the net proceeds of the Notes, after fees, discounts, commissions and other expenses, to repay outstanding indebtedness under the Company's 2017 European Investment Bank loan, 2014 European Investment Bank loan, Banca Nazionale del Lavoro S.p.A loan, and 2019 Debt Facility and related expenses. The Company repaid approximately $528.0 million in aggregate outstanding principal, accrued interest and associated fees, including breakage fees and legal fees. The Company recognised a loss on debt extinguishment of $1.4 million during the year ended 31 December 2020. The loss on debt extinguishment was recognised in foreign exchange and other gains/(losses) in the consolidated statements of income (loss). The remainder of the proceeds from the concurrent financing transactions were used to pay the cost of capped call transactions and for general corporate purposes.

On 12 August 2021, the Company repaid in full and terminated its previously outstanding $450 million 2020 senior secured term loan, resulting in a loss on debt extinguishment of $58.6 million recognised during the year ended 31 December 2021, which is comprised of a $35.6 million make-whole premium and $23.0 million associated with the write-off of unamortised debt issuance costs, and is included within loss on debt extinguishment on the consolidated statements of income (loss). For additional information, please refer to "Note 16. Shareholders' Equity."

Note 18. Leases

We have leases primarily for (i) office space, (ii) manufacturing, warehouse and research and development facilities and (iii) vehicles. Our leases have remaining lease terms up to 11 years, some of which include options to extend the leases, and some of which include options to terminate the leases at our sole discretion.

Right-of-Use Assets and Lease Liabilities

The movement in the ROU assets and lease liabilities by class of assets is as follows (in thousands):

	Real Estate	Vehicles	Others	Total ROU Assets	Lease Liabilities
Balance as of 1 January 2020	$ 50,255	$ 4,993	$ (54)	$ 55,194	$ 57,534
Additions	5,277	2,387	1,069	8,733	8,719
Depreciation expense[(1)]	(11,462)	(2,753)	(214)	(14,429)	-
Disposals, modifications and other	(273)	(108)	(416)	(797)	(783)
Assets held for sale	(1,049)	(649)	-	(1,698)	(1,821)
Finance expense	-	-	-	-	1,398
Lease payments	-	-	-	-	(15,043)
Currency translation adjustments	3,106	269	-	3,375	3,497
Balance as of 31 December 2020	45,854	4,139	385	50,378	53,501
Additions	6,668	2,610	190	9,468	9,457
Depreciation expense[(1)]	(13,678)	(2,011)	(230)	(15,919)	-
Disposals, modifications and other	(370)	(932)	(141)	(1,443)	(1,425)
Finance expense	-	-	-	-	1,552
Lease payments	-	-	-	-	(13,182)
Currency translation adjustments	(2,069)	(287)	(8)	(2,364)	(2,539)
Balance as of 31 December 2021	$ 36,405	$ 3,519	$ 196	$ 40,120	$ 47,364

[(1)] Depreciation expense is included in the consolidated statement of (loss) income in cost of sales or other operating expenses.

Contractual maturities of our lease liabilities as of 31 December 2021 were as follows (in thousands):

2022	$ 12,635
2023	10,146
2024	7,861
2025	5,011
2026	3,803
Thereafter	13,023
Total lease payments	52,479
Less: Amount representing finance charges	(5,115)
Net present value of lease liabilities	$ 47,364

Contractual maturities of our lease liabilities as of 31 December 2020 were as follows (in thousands):

2021	$ 13,414
2022	12,051
2023	8,901
2024	6,902
2025	4,343
Thereafter	14,037
Total lease payments	59,648
Less: Amount representing finance charges	(6,147)
Net present value of lease liabilities	$ 53,501

Lease Payments not Recognised as a Liability

We have elected not to recognise a lease liability for short-term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments (i.e., variable maintenance and utility expenses) are not permitted to be recognised as lease liabilities and are expensed as incurred. Expenses recognised during 2021 and 2020 relating to payments not included in the measurement of lease liabilities is as follows (in thousands):

	31 December 2021	31 December 2020
Short-term leases	$ 1,084	$ 415
Lease of low value	422	396
Variable lease payments	1,200	1,097
	$ 2,706	$ 1,908

At 31 December 2021 and 2020, we were committed to future lease payments of approximately $2.8 million and $2.0 million, respectively, relating to short-term leases and leases of low value assets that are not reflected in the measurement of lease liabilities. These payments will generally be made ratably over the next 3 to 5 years.

Furthermore, lessor lease revenue constituted less than 0.5% and less than 0.6% of total net sales for the year ended 31 December 2021 and 2020, respectively.

Note 19. Other Non-Current Liabilities

(in thousands)	31 December 2021	31 December 2020
Amounts due to employees	$ 6,865	$ 6,008
Contract liabilities	1,403	1,701
Other	1,069	1,656
Total	$ 9,337	$ 9,365

Note 20. Contingent Consideration, Litigation Provision Liability and Other Provisions

Current Provisions

(in thousands)	31 December 2021	31 December 2020
Litigation provision liability	$ 32,845	$ 31,625
Contingent consideration	11,552	13,968
Product remediation	807	1,056
Restructuring reserve	365	4,856
Contractual warranty reserve	767	879
Decommissioning provision	496	539
Other[(1)]	6,329	6,781
Total	$ 53,161	$ 59,704

[(1)] Other includes an Italian tax provision and other individually immaterial items.

Non-Current Provisions

(in thousands)	31 December 2021	31 December 2020
Litigation provision liability	$ 6,625	$ 7,878
Decommissioning provision	43,460	49,871
Contingent consideration	86,830	89,850
Liability for uncertain tax provisions (inclusive of penalties and interest)	1,983	3,871

(in thousands)	31 December 2021	31 December 2020
Restructuring reserve	37	37
Total	$ 138,935	$ 151,507

Product Remediation and Litigation Provision Liability.

On 29 December 2015, we received an FDA Warning Letter (the Warning Letter) alleging certain violations of FDA regulations applicable to medical device manufacturing at our Munich, Germany and Arvada, Colorado facilities. On 13 October 2016, the Centers for Diseases Control and Prevention (CDC) and FDA separately released safety notifications regarding 3T devices in response to which we issued a Field Safety Notice Update for U.S. users of our 3T devices to proactively and voluntarily contact facilities to facilitate implementation of the CDC and FDA recommendations.

On 31 December 2016, we recognised a liability for a product remediation plan related to our 3T device. The remediation plan consisted primarily of a modification of the 3T device design to include internal sealing and the addition of a vacuum system to new and existing devices to address regulatory actions and to reduce further the risk of possible dispersion of aerosols from 3T devices in the operating room. We concluded that it was probable that a liability had been incurred upon management's approval of the plan and the commitments made by management to various regulatory authorities globally in November and December 2016, and furthermore, the cost associated with the plan was reasonably estimable.

In April 2017, we obtained CE Mark in Europe for the design change of the 3T device, and in October 2018, the FDA concluded that we could commence the vacuum canister and internal sealing upgrade program in the U.S. On 25 February 2020, LivaNova received clearance for K191402, a 510(k) for the 3T devices that addressed issues contained in the 2015 Warning Letter along with design changes that further mitigate the potential risk of aerosolization. Concurrent with this clearance, (1) 3T devices manufactured in accordance with K191402 will not be subjected to the import alert and (2) LivaNova initiated a collection to distribute the updated Operating Instructions cleared under K191402. We are in the process of completing and closing out all recall activities with the FDA. While our vacuum canister and internal sealing upgrade program and deep cleaning service in the U.S. are substantially complete, these services will continue as a servicing option outside of the U.S.

We recognised product remediation expenses during the years ended 31 December 2021 and 2020 of $0.8 million and $7.9 million, respectively. In addition to changes to the estimated product remediation liability, product remediation expenses include internal labour costs, costs to remediate certain inspectional observations made by the FDA at our Munich facility and costs associated with the incorporation of the modification of the 3T device design into the next generation 3T device. These costs and related legal costs are expensed as incurred and are not included within the product remediation liability presented above. During the fourth quarter of 2018, we recognised a $294.1 million liability related to the litigation involving the 3T device. As of 31 December 2021 and 2020, the liability was $39.5 million. Our related legal costs are expensed as incurred. For further information, please refer to "Note 25. Commitments and Contingencies."

Restructuring reserve.

Refer to "Note 8. Restructuring" for more details.

Decommissioning Provision.

Refer to "Note 25. Commitments and Contingencies" for more details.

The changes in the carrying value of current provisions during the year are indicated below (in thousands):

	Litigation Provision Liability[1]	Contingent Consideration[2]	Product Remediation	Restructuring Reserve
31 December 2019	$146,026	$ 22,953	$ 3,251	$ 2,542
Change in fair value	-	3,635	-	-
Additions to provision	6,919	-	3,199	2,325
Utilisation	(138,178)	(12,868)	(5,743)	-
Release of provisions	-	-	-	(122)
Reclassification	-	-	-	-
Reclassifications from non-current	16,500	448	-	(37)
Reclassified to liabilities held for sale	-	-	-	-
Currency translation gains (losses)	358	(200)	349	148
31 December 2020	31,625	13,968	1,056	4,856
Change in fair value	-	3,163	-	-
Additions to provision	35,055	-	712	4,363
Utilisation	(34,808)	(6,000)	(880)	(7,869)
Release of provision	-	-	-	(115)
Reclassification	-	-	-	(664)
Reclassifications from non-current	1,013	421	-	-
Currency translation gains (losses)	(40)	-	(81)	(206)
31 December 2021	$ 32,845	$ 11,552	$ 807	$ 365

	Contractual Warranty Reserve	Decommissioning Provision[1]	Other Reserves	Total
31 December 2019	$ 1,004	$ -	$ 8,070	$183,846
Change in fair value	-	-	-	3,635
Additions to provision	(77)	-	1,371	13,737
Utilisation	(109)	-	(939)	(157,837)
Release of provisions	-	-	-	(122)

	Contractual Warranty Reserve	Decommissioning Provision[1]	Other Reserves	Total
Reclassification	-	491	(491)	-
Reclassifications from non-current	-	48	-	16,959
Reclassified to liabilities held for sale	-	-	(1,981)	(1,981)
Currency translation gains (losses)	61	-	751	1,467
31 December 2020	879	539	6,781	59,704
Change in fair value	-	-	-	3,163
Additions to provision	53	-	1,251	41,434
Utilisation	(119)	(488)	(985)	(51,149)
Release of provision	-	-	(496)	(611)
Reclassification	-	-	-	(664)
Reclassifications from non-current	-	486	-	1,920
Currency translation gains (losses)	(46)	(41)	(222)	(636)
31 December 2021	$ 767	$ 496	$ 6,329	$ 53,161

[1] For additional information refer to "Note 25. Commitments and Contingencies."

[2] For utilization during 2021, we paid $6.0 million under the contingent consideration arrangement for the acquisition of Miami Instruments, LLC ("Miami Instruments"). For utilization during 2020, we paid $11.8 million under the contingent consideration arrangement for the acquisition of TandemLife. Additionally, we made final payments under contingent consideration arrangements resulting from the acquisitions of two distributors.

The changes in the carrying value of non-current provisions during the year are indicated below (in thousands):

	Litigation Provision Liability[1]	Decommissioning Provision[1]	Contingent Consideration
31 December 2019	$ 24,378	$ -	$ 114,396
Change in fair value[2]	-	-	(24,098)
Additions to provision	-	49,549	-
Release of provisions	-	-	-
Reclassifications (to) from current	(16,500)	(48)	(448)
Currency translation losses	-	370	-
31 December 2020	7,878	49,871	89,850
Change in fair value	-	(2,169)	(2,599)
Additions to provision	-	-	-
Release of provisions	-	-	-
Reclassifications (to) from current	(1,013)	(486)	(421)
Currency translation losses	(240)	(3,756)	-
31 December 2021	$ 6,625	$ 43,460	$ 86.830

	Liability for Uncertain Tax Provisions	Restructuring Reserve	Other Reserves	Total
31 December 2019	$ 10,332	$ -	$ 252	$ 149,358
Change in fair value[2]	-	-	-	(24,098)
Additions to provision	-	-	-	49,549
Release of provisions	(7,348)	-	(247)	(7,595)
Reclassifications (to) from current	-	37	-	(16,959)
Currency translation losses	887	-	(5)	1,252
31 December 2020	3,871	37	-	151,507
Change in fair value	-	-	-	(4,768)
Additions to provision	-	-	-	-
Release of provisions	(1,594)	-	-	(1,594)
Reclassifications (to) from current	-	-	-	(1,920)
Currency translation losses	(294)	-	-	(4,290)
31 December 2021	$ 1,983	$ 37	$ -	$ 138,935

[1] For additional information refer to "Note 25. Commitments and Contingencies."

[2] The contingent consideration change in fair value during the year ended 31 December 2020 is primarily due to a one-year delay in the projected achievement of a certain regulatory milestone and timing of sales-based earnout payments for ImThera, and the impact of an increase in discount rates utilized in the valuation of contingent consideration.

Note 21. Other Payables

(in thousands)	31 December 2021	31 December 2020
Accrued expenses- employee-related charges[1]	$ 58,901	$ 30,036
Other accrued expenses	19,026	19,250
Amounts due to employees	16,388	17,155
Payable to Gyrus Capital S.A.[2]	11,418	-
Legal and administrative expenses	8,997	10,076
Contract liabilities	8,419	6,929
R&D costs	5,329	3,861
Other current liabilities	4,350	9,182
Other amounts due to health and social security institution	3,975	4,689
Current advances from customers	1,246	569

(in thousands)	31 December 2021	31 December 2020
Provisions for agents, returns and other	1,091	780
Total	$ 139,140	$ 102,527

(1) The increase from 31 December 2020 to 31 December 2021 primarily represents an increase in the Group's short term incentive plan.

(2) The amount payable to Gyrus Capital S.A. as of 31 December 2021 primarily represents the purchase price adjustment liability from the sale of our Heart Valves business. For additional information refer to "Note 7. Divestiture of Heart Valve Business."

Note 22. Share-Based Incentive Plans

Share-Based Incentive Plans

On 16 October 2015, we approved the adoption of the Company's 2015 Incentive Award Plan (2015 Plan), which was previously approved by the Board of the Company on 14 September 2015 subject to such shareholder approval. The 2015 Plan was adopted in order to facilitate the grant of cash and equity incentives to non-employee directors, employees (including our named executive officers) and consultants of the Company and certain of our affiliates and to enable the Company and certain of our affiliates to obtain and retain services of these individuals. The Plan became effective as of 19 October 2015. Incentive awards may be granted under the 2015 Plan in the form of share options, share appreciation rights, restricted share, restricted share units, other share and cash-based awards and dividend equivalents.

During the year ended 31 December 2021, we issued stock-based compensatory awards with terms approved by the Compensation Committee of our Board. The awards with service conditions generally vest ratably from two to four years and are subject to forfeiture unless service conditions are met. Market performance-based awards were issued that cliff vest after three years subject to the rank of our total shareholder return for the three-year period ending 31 December 2023 relative to the total shareholder returns for a peer group of companies. Operating performance-based awards were issued that cliff vest after three years subject to the achievement of a target based on the adjusted FCF for fiscal year 2021. Additionally, operating performance-based awards were issued that cliff vest after three years subject to the achievement of a target based on the return on invested capital for fiscal year 2021.

As of 31 December 2021 and 2020, there were approximately 3,098,419 and 3,575,752 shares available for future grants under the 2015 Plan, respectively.

On 1 January 2019, we initiated the LivaNova Global Employee Share Purchase Plan (ESPP). Compensation expense related to the ESPP for the years ended 31 December 2021 and 2020 was $1.5 million and $1.2 million, respectively.

Share-Based Compensation

Amounts of share-based compensation recognised in the consolidated statement of (loss) income, by expense category are as follows (in thousands):

	Year Ended 31 December	
	2021	2020
Cost of sales	$ 2,499	$ 1,964
Selling, general and administrative	30,043	30,705
Research and development	8,838	3,654
Total share-based compensation	$ 41,380	$ 36,323

Amounts of share-based compensation expense recognised in the consolidated statement of (loss) income, by type of arrangement are as follows (in thousands):

	Year Ended 31 December	
	2021	2020
Service-based stock appreciation rights	$ 12,806	$ 13,220
Service-based restricted stock units	20,113	19,049
Market performance-based restricted stock units	3,522	3,200
Operating performance-based restricted stock units	3,434	(370)
ESPP	1,505	1,224
Total share-based compensation expense from continuing operations	$ 41,380	$ 36,323

The expense for the years ended 31 December 2021 and 31 December 2020 related to awards that were accounted for as equity settled.

Share Appreciation Rights and Share Options

We use the Black-Scholes option pricing methodology to calculate the grant date fair market value of SARs. The following table lists the assumptions we utilised as inputs to the Black-Scholes model:

	Year Ended 31 December	
	2021	2020
Weighted average share price	$73.25	$43.63
Exercise price	$73.25	$43.57
Dividend yield[1]	-	-
Risk-free interest rate - based on grant date[2]	1.0%	0.4%
Expected option term - in years per group of employees/consultants[3]	5.6	5.4
Expected volatility at grant date[4]	42.1%	39.5%

(1) We have not paid dividends and no future dividends have been approved.

(2) We use yield rates on U.S. Treasury securities for a period that approximated the expected term of the award to estimate the risk-free interest rate.

(3) We estimated the expected term of the awards granted using historic data of actual time elapsed between the date of grant and the exercise or forfeiture of options or SARs for employees. For consultants, the expected term is the remaining time until expiration of the option or SAR.

(4) Refer to "Note 2. Basis of Preparation, Use of Accounting Estimates and Significant Accounting Policies - Share-Based Compensation" for further information regarding expected volatility.

The following tables detail the activity for service-based SARs and stock option awards:

SARs and Stock Options	2021 Number of Optioned Shares	2021 Wtd. Avg. Exercise Price	2020 Number of Optioned Shares	2020 Wtd. Avg. Exercise Price
	Year Ended 31 December			
Outstanding - at beginning of year	2,884,020	$ 63.20	2,215,056	$ 74.41
Granted	594,617	$ 73.25	1,132,742	$ 43.63
Exercised	(424,122)	$ 52.95	(58,768)	$ 48.65
Forfeited	(291,534)	$ 62.36	(173,923)	$ 73.05
Expired	(128,608)	$ 88.67	(231,087)	$ 70.99
Outstanding - end of year	2,634,373	$ 65.94	2,884,020	$ 63.20
Fully vested and exercisable - end of year	1,154,459	$ 68.18	1,131,868	$ 66.28
Fully vested and expected to vest - end of year[1]	2,579,659	$ 66.01	2,815,269	$ 63.39

[1] Includes the impact of expected future forfeitures.

The weighted average remaining contractual life for the share options and SARs outstanding at 31 December 2021 and 31 December 2020 is 7.16 years and 7.45 years, respectively.

The aggregate intrinsic value of the options and SARs outstanding at 31 December 2021 and 31 December 2020 is $61.7 million and $34.8 million, respectively. The aggregate intrinsic value of options and SARs is based on the difference between the fair market value of the underlying share at the end of the year using the market closing share price, and exercise price for in-the-money awards.

The range of exercise prices for stock options and SARs outstanding year end are categorised in exercise price ranges as follows:

Outstanding Options	31 December 2021	31 December 2020
$10-30	-	3,334
$31-50	955,163	1,230,945
$51-70	376,676	701,881
$71-90	868,723	409,027
$91-110	430,084	531,004
$111-130	3,727	7,829
Total	2,634,373	2,884,020

	Year Ended 31 December 2021	Year Ended 31 December 2020
Weighted average grant date fair value of SARs granted during the year (per share)	$ 29.22	$ 15.73
Aggregate intrinsic value of SARs and stock options exercised during the year (in thousands)	$ 12,223	$ 773

Restricted Share and Restricted Share Units Awards

The following tables detail the activity for service-based RSU awards:

	2021 Number of Shares	2021 Wtd. Avg. Grant Date Fair Value	2020 Number of Shares	2020 Wtd. Avg. Grant Date Fair Value
	Year Ended 31 December			
Non-vested shares at beginning of year	848,459	$ 58.00	523,833	$ 84.98
Granted	363,372	$ 74.17	609,076	$ 44.28
Vested	(279,064)	$ 61.82	(221,314)	$ 75.51
Forfeited	(141,610)	$ 55.85	(63,136)	$ 75.46
Non-vested shares at end of year	791,157	$ 64.53	848,459	$ 58.00

	Year Ended 31 December 2021	Year Ended 31 December 2020
Weighted average grant date fair value of service-based RSUs issued during the year (per share)	$ 74.17	$ 44.28
Aggregate fair value of RSUs that vested during the year (in thousands)	$ 21,501	$ 13,674

Market and Performance-Based Restricted Share and Performance-Based Restricted Share Units Awards

The following tables detail the activity for performance-based and market-based RSU awards:

	2021 Number of Shares	2021 Wtd. Avg. Grant Date Fair Value	2020 Number of Shares	2020 Wtd. Avg. Grant Date Fair Value
	Year Ended 31 December			
Non-vested shares at beginning of year	380,799	$ 56.55	285,669	$ 71.02
Granted	123,956	$ 89.29	185,940	$ 41.70
Vested	(107,455)	$ 67.09	(63,305)	$ 41.79
Forfeited	(51,356)	$ 28.42	(27,505)	$ 64.35
Non-vested shares at end of year	345,944	$ 68.36	380,799	$ 56.55

	Year Ended 31 December 2021	Year Ended 31 December 2020
Weighted average grant date fair value of performance and market-based restricted share units granted during the year (per share)	$ 89.29	$ 41.70

	Year Ended 31 December	
	2021	2020
Aggregate fair value of performance and market-based restricted share units that vested during the year (in thousands)	$ 8,268	$ 4,106

Note 23. Employee Retirement Plans

We sponsor several defined benefit pension plans, which include plans in the U.S., Italy, Germany, Japan and France. We maintain a frozen cash balance retirement plan in the U.S. that is a contributory, defined benefit plan designed to provide the benefit in terms of a stated account balance dependent on the employer's promised interest-crediting rate. In Italy and France we maintain a severance pay defined benefit plan that obligates the employer to pay a severance payment in case of resignation, dismissal or retirement. In other jurisdictions we sponsor non-contributory, defined benefit plans designated to provide a guaranteed minimum retirement benefits to eligible employees. Certain members of our key management participate in the Company's defined benefit pension plans. Please refer to "Note 28. Related Parties"

As at 31 December 2021 and 2020, the net underfunded status of our U.S. and non-U.S. defined benefit pension plans was $12.2 million and $14.6 million, respectively.

Risks Related to Defined-benefit Plans

The defined benefit plans expose the Group to various demographic and economic risks such as longevity risk, investment risks, currency and interest rate risk and in some cases inflation risk. The latter plays a role in the assumed wage increase and in some smaller plans where indexation is mandatory. Pension fund Trustees are responsible for and have full discretion over the investment strategy of the plan assets. In general Trustees manage pension fund risks by diversifying the investments of plan assets and by (partially) matching interest rate risk of liabilities.

The Company has an active de-risking strategy in which it constantly looks for opportunities to reduce the risks associated with its defined benefit plans. The plans are governed by Trustees who have a legal obligation to evenly balance the interests of all stakeholders and operate under the local regulatory framework.

The change in benefit obligations and funded status of our U.S. and non-U.S. pension benefits are as follows (in thousands):

	U.S. Pension Benefits		
	2021		
	Present Value of Benefit Obligation	Fair Value of Plan Assets	Net Liability
Accumulated benefit obligation at end of year	$ 12,578		
Beginning of year	$ 13,085	$ (8,688)	$ 4,397
Interest cost	224	-	224
Total amount recognised in the statement of (loss) income	224	-	224
Actuarial loss	527	-	527
Actual return on plan assets	-	(189)	(189)
Total amount recognised in other comprehensive income	527	(189)	338
Employer contributions	-	(401)	(401)
Payments from plan:			
Plan settlements	(972)	972	-
Benefits paid	(286)	286	-
End of year	$ 12,578	$ (8,020)	$ 4,558

	U.S. Pension Benefits		
	2020		
	Present Value of Benefit Obligation	Fair Value of Plan Assets	Net Liability
Accumulated benefit obligation at end of year	$ 13,085		
Beginning of year	$ 11,232	$ (7,574)	$ 3,658
Interest cost	290	-	290
Total amount recognised in the statement of (loss) income	290	-	290
Actuarial loss	2,225	-	2,225
Actual return on plan assets	-	(646)	(646)
Total amount recognised in other comprehensive income	2,225	(646)	1,579
Employer contributions	-	(1,130)	(1,130)
Payments from plan:			
Plan settlements	(384)	384	-
Benefits paid	(278)	278	-
End of year	$ 13,085	$ (8,688)	$ 4,397

	Non-U.S. Pension Benefits(1)		
	2021		
	Value of Benefit Obligation	Fair Value of Plan Assets	Net Liability
Accumulated benefit obligation at end of year	$ 10,522		
Beginning of year	$ 13,039	$ (2,816)	$ 10,223
Current service cost	354	-	354
Interest cost	56	-	56
Total amount recognised in the statement of (loss) income	410	-	410

	Non-U.S. Pension Benefits[1]		
	2021		
	Value of Benefit Obligation	Fair Value of Plan Assets	Net Liability
Actuarial gain	(1,372)	-	(1,372)
Actual return on plan assets	-	(61)	(61)
Total amount recognised in other comprehensive income	(1,372)	(61)	(1,433)
Foreign currency exchange rate changes and other	(966)	(41)	(1,007)
Employer contributions	-	(302)	(302)
Benefits paid	(294)	78	(216)
Reclassified to liabilities held for sale[2]	-	-	-
End of year[3]	$ 10,817	$ (3,142)	$ 7,675

	Non-U.S. Pension Benefits[1]		
	2020		
	Value of Benefit Obligation	Fair Value of Plan Assets	Net Liability
Accumulated benefit obligation at end of year	$ 12,091		
Beginning of year	$ 18,087	$ (3,423)	$ 14,664
Current service cost	691	-	691
Interest cost	121	-	121
Total amount recognised in the statement of (loss) income	812	-	812
Actuarial gain	(208)	-	(208)
Actual return on plan assets	-	(50)	(50)
Total amount recognised in other comprehensive income	(208)	(50)	(258)
Foreign currency exchange rate changes and other	1,605	(197)	1,408
Employer contributions	-	(454)	(454)
Benefits paid	(1,245)	286	(959)
Reclassified to liabilities held for sale[2]	(6,012)	1,022	(4,990)
End of year[3]	$ 13,039	$ (2,816)	$ 10,223

[1] In certain non-U.S. countries, fully funding pension plans is not a common practice. Consequently, certain pension plans have been partially funded.

[2] Refer to "Note 7. Divestiture of Heart Valve Business."

[3] These amounts are included within provision for employee severance indemnities and other employee benefit provisions on the consolidated balance sheet as well as social security taxes payable associated with our share-based incentive plans.

Major actuarial assumptions used in determining the benefit obligations and net periodic benefit (income) cost for our significant benefit plans are presented in the following table as weighted averages:

	Year Ended 31 December			
	2021		2020	
	U.S. Pension Benefits	Non-U.S. Pension Benefits	U.S. Pension Benefits	Non-U.S. Pension Benefits
Actuarial assumptions used to determine benefit obligation:				
Discount rate	2.41%	0.15% - 1.00%	1.91%	0.23% - 0.35%
Rate of compensation increase	N/A	2.50% - 3.00%	N/A	2.50% - 3.00%
Actuarial assumptions used to determine net periodic benefit cost:				
Discount rate	1.91%	0.15% - 1.00%	2.88%	0.23% - 0.35%
Rate of compensation increase	N/A	2.50% - 3.00%	N/A	2.50% - 3.00%
Expected return on plan assets	5.00%	N/A	5.00%	N/A

To determine the discount rate for our U.S. benefit plan, we used the FTSE Above Median Pension Discount Curve. For the discount rate used for the other non-U.S. benefit plans we consider local market expectations of long-term returns, primarily utilizing the Iboxx Corporate Index Bond rating AA, duration higher than 10 years. The resulting discount rates are consistent with the duration of plan liabilities.

The expected long-term rate of return on plan assets assumption for our U.S. benefit plan was derived from a study conducted by our investment managers. The study includes a review of anticipated future long-term performance of individual asset classes and consideration of the appropriate asset allocation strategy given the anticipated requirements of the plan to determine the average rate of earnings expected on the funds invested to provide for the pension plan benefits.

Retirement Benefit Plan Investment Strategy

In the U.S., we have an account that holds the defined benefit frozen balance pension plan assets. The Qualified Plan Committee (Plan Committee) sets investment guidelines for U.S. pension plans with the assistance of an external consultant. The plan assets in the U.S. are invested in accordance with sound investment practices that emphasize long-term fundamentals. The investment objectives for the plan assets in the U.S. are to achieve a positive rate of return that would be expected to close the current funding deficit and so enable us to terminate the frozen pension plan at a reasonable cost. These guidelines are established based on market conditions, risk tolerance, funding requirements and expected benefit payments. The Plan Committee also oversees the investment allocation process, selects the investment managers, and monitors asset performance. The investment portfolio contains a diversified portfolio of fixed income and equity index funds. Securities are also diversified in terms of domestic and international securities, short- and long-term securities, growth and value styles, large cap and small cap stocks.

Outside the U.S., pension plan assets are typically managed by decentralized fiduciary committees. There is a significant variation in policy asset allocation from country to country. Local regulations, local funding rules, and local financial and tax considerations are part of the funding and investment allocation process in each country.

Our U.S. and Non-U.S. pension plans target allocations as of 31 December 2021 and 31 December 2020, by asset category, are as follows:

	U.S. Pension Benefits		Non-U.S. Pension Benefits	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Equity Securities	29%	29%	1%	1%
Debt Securities	70%	70%	84%	84%
Other	1%	1%	15%	15%

Retirement Benefit Fair Values

The following is a description of the valuation methodologies used for retirement benefit plan assets measured at fair value:

Equity Mutual Funds:

Valued based on the year-end net asset values of the investment vehicles. The net asset values of the investment vehicles are based on the fair values of the underlying investments of the partnerships valued at the closing price reported in the active markets in which the individual security is traded. Equity mutual funds have a daily reported net asset value and we classify these investments as Level 2.

Fixed Income Mutual Funds:

Valued based on the year-end net asset values of the investment vehicles. The net asset values of the investment vehicles are based on the fair values of the underlying investments of the partnerships valued based on inputs other than quoted prices that are observable.

Money Markets:

Valued based on quoted prices in active markets for identical assets.

The following tables provide information by level for the retirement benefit plan assets that are measured at fair value, as defined by IFRS (in thousands). Refer to "Note 5. Fair Value Measurements" for discussion of the fair value measurement terms of Levels 1,2, and 3.

	Fair Value as at 31 December 2021	Fair Value Measurement Using Inputs Considered as		
(in thousands)		Level 1	Level 2	Level 3
Equity mutual funds	$ 2,341	$ -	$ 2,341	$ -
Fixed income mutual funds	5,587	-	5,587	-
Money market funds	82	82	-	-
Total	$ 8,010	$ 82	$ 7,928	$ -

	Fair Value as at 31 December 2020	Fair Value Measurement Using Inputs Considered as		
(in thousands)		Level 1	Level 2	Level 3
Equity mutual funds	$ 2,405	$ -	$ 2,405	$ -
Fixed income mutual funds	5,788	-	5,788	-
Money market funds	94	94	-	-
Total	$ 8,287	$ 94	$ 8,193	$ -

Retirement Benefit Funding Plan

We have the policy to make the minimum required contribution to fund the U.S. pension plan as determined by MAP - 21 and the Highway and Transportation Funding Act of 2014.

We contributed $0.7 million and $1.6 million to the pension plans (U.S. and non-U.S.) during the years ended 31 December 2021 and 2020, respectively. We anticipate that we will make contributions to the U.S. pension plan of approximately $0.4 million during fiscal year 2022. Contributions to the non-U.S. pension plans in fiscal year 2021 are not expected to be material. The weighted average duration of the defined benefit plans is approximately 8 years and 10 years for U.S. plan and Non-U.S. plans respectively.

Benefit payments, including amounts to be paid from our assets, and reflecting expected future service, as appropriate, as of 31 December 2021, were expected to be paid as follows (in thousands):

(in thousands)	U.S. Plan	Non-U.S. Plans
2022	$ 4,487	$ 476
2023	744	738
2024	764	526
2025	928	572
2026	941	786
2027 - 2031	2,633	4,981
Above 2031	2,081	2,738
Total	$ 12,578	$ 10,817

Benefit payments, including amounts to be paid from our assets, and reflecting expected future service, as appropriate, as of 31 December 2020, were expected to be paid as follows (in thousands):

(in thousands)	U.S. Plan	Non-U.S. Plans
2021	$ 4,003	$ 600
2022	1,175	881
2023	680	1,129

(in thousands)	U.S. Plan	Non-U.S. Plans
2024	774	837
2025	940	898
2026 - 2030	3,159	6,205
Above 2030	2,354	2,489
Total	$ 13,085	$ 13,039

Sensitivity Analysis

The sensitivity of the defined benefit obligation as of 31 December 2021 and 31 December 2020 to significant changes in actuarial assumptions are as follows (in thousands):

	31 December 2021		31 December 2020	
	Increase +0.50%	Decrease -0.50%	Increase +0.50%	Decrease - 0.50%
Discount rate	$(1,167)	$503	$309	$2,859

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected until credit method at the end of the reporting year) has been applied as when calculating the defined benefit liability recognised in the consolidated balance sheet.

Defined Contribution Plans.

We sponsor defined contribution plans, including the Cyberonics, Inc. Employee Retirement Savings Plan, which qualifies under Section 401(k) of the IRC, covering U.S. employees, the Cyberonics, Inc. Non-Qualified Deferred Compensation Plan, covering certain U.S. middle and senior management and the Belgium Defined Contribution Pension Plan for Cyberonics's Belgium employees. We incurred expenses for our defined contribution plans of $10.2 million and $11.8 million for the years ended 31 December 2021 and 31 December 2020, respectively.

Note 24. Income Taxes

Income tax benefit consists of the following (in thousands):

	Year Ended 31 December	
	2021	2020 Restated(1)
Current tax	$ (8,289)	$ 38,108
Deferred tax	21,321	22,938
Income tax benefit	$ 13,032	$ 61,046

(1) Deferred tax as of 31 December 2020 has been restated. For further details refer to "Note 1. Nature of Operations."

The following is a reconciliation of the statutory income tax rate to our effective income tax rate expressed as a percentage of income before income taxes:

	Year Ended 31 December	
	2021	2020 Restated(1)
Statutory tax rate at UK rate	19.0 %	19.0 %
Effect of changes in tax rate	17.3	4.7
Change in unrecognised deferred tax assets	(23.6)	(5.7)
U.S. state and local tax provision, net of federal benefit	(0.2)	2.1
Foreign tax rate differential	1.9	5.2
U.S. tax on non U.S. operations	-	(1.5)
Research and development tax credits	0.2	1.3
Reserve for uncertain tax positions	-	1.2
Base erosion anti-abuse tax	(2.6)	(1.0)
Impairment of goodwill and intangible assets	(1.5)	(0.3)
Other, net	(1.8)	-
Effective tax rate	8.7 %	25.0 %

(1) The effective tax rate for the year ended 31 December 2020 has been restated. For further details refer to "Note 1. Nature of Operations. "

Due to the change in law effective 1 April 2023, which received royal assent in July 2021, and provided for the UK tax rate to increase to 25%, there was a revaluation to increase deferred taxes of $25.0 million in 2021. Similarly, the UK unrecognised deferred tax assets was also increased by the revaluation $1.7 million, while U.S. unrecognised deferred tax asset increased by $35.3 million.

Deferred Tax Assets and Liabilities

The change in net deferred tax assets (liabilities) as recognised in the balance sheet can be analysed as follows (in thousands):

	Year Ended 31 December	
	2021	2020 Restated(1)
At the beginning of the year	$ 73,193	$ 57,969
Deferred tax benefit for the year, net	21,321	16,037
Deferred tax recorded in equity	1,352	(3,774)
Changes from divestitures	4,452	2,961
At the end of the year	$ 100,318	$ 73,193

(1) Deferred tax benefit for the year ended 31 December 2020 has been restated. For further details refer to "Note 1. Nature of Operations. "

The following table provides the net deferred tax assets expected to be recognised within the next 12 months and after the next 12 months as of 31 December 2021 and 31 December 2020 (in thousands):

	31 December 2021	31 December 2020
Within the next 12 months	$ 15,059	$ 22,888
After the next 12 months	85,259	50,305
Net deferred tax assets	$ 100,318	$ 73,193

(2) Deferred tax assets and liabilities on a gross basis are summarised as follows (in thousands):

		Activity During the Year Ended 31 December 2021			
	31 December 2021	Consolidated Statement of Loss) Income	Tax Rate Change[(1)]	Shareholders' Equity	31 December 2020 Restated[(3)]
Deferred tax assets					
Net operating loss carryforwards (NOLs)	$ 73,482	$ 6,202	$ 6,715	$ (46,420)	$ 106,985
Tax credit carryforwards	825	(3,233)	55	(177)	4,180
Deferred compensation	22,875	1,182	2,411	8,203	11,079
Accruals and reserves	73,514	(536)	1,268	13,321	59,461
Inventory	8,844	(1,243)	(47)	6,385	3,749
Investments	-	-	-	(512)	512
Other	17,929	3,677	81	(2,066)	16,237
Gross deferred tax assets[(2)]	197,469	6,049	10,483	(21,266)	202,203
Deferred tax liabilities					
Gain on sale of intellectual property	(26,597)	13,263	1,205	3	(41,068)
Property, equipment & intangible assets	(70,554)	(14,613)	4,935	27,066	(87,942)
Gross deferred tax liabilities	(97,151)	(1,350)	6,140	27,069	(129,010)
Deferred tax assets (liabilities), net	$ 100,318	$ 4,699	$ 16,623	$ 5.803	$ 73,193
Reported in the consolidated balance sheet (after jurisdictional netting)					
Net deferred tax assets	$ 107,869				$ 82,551
Deferred tax liabilities	(7,551)				(9,358)
Deferred tax assets, net[(2)]	$ 100,318				$ 73,193

(1) UK received royal assent in July 2021, and provided for the UK tax rate to increase to 25%, effective 1 April 2023, there was a revaluation to increase deferred taxes in 2021.
(2) During the year ended 31 December 2021, the net deferred tax assets increased from net operation losses in the UK, Germany, and other jurisdictions, offset by increased unrecognised deferred tax assets in U.S. and Italy.
(3) Inventory deferred tax assets as of 31 December 2020 has been restated. For further details refer to "Note 1. Nature of Operations."

		Activity During the Year Ended 31 December 2020			
	31 December 2020 Restated	Consolidated Statement of Loss) Income	Tax Rate Change[(1)]	Shareholders' Equity	31 December 2019
Deferred tax assets					
Net operating loss carryforwards (NOLs)	$ 106,985	$ 31,287	$ 2,401	$ -	$ 73,297
Tax credit carryforwards	4,180	(361)	-	-	4,541
Deferred compensation	11,079	1,110	340	(1,845)	11,474
Accruals and reserves	59,461	(10,102)	-	1	69,562
Depreciation and amortisation	-	(273)	-	273	-
Inventory	3,749	(9,684)	-	1,826	11,607
Investments	512	44	-	-	468
Other	16,237	7,235	390	(3,214)	11,826
Gross deferred tax assets	202,203	19,256	3,131	(2,959)	182,775
Deferred tax liabilities					
Gain on sale of intellectual property	(41,068)	12,023	-	-	(53,091)
Property, equipment & intangible assets	(87,942)	(21,337)	4,099	1,011	(71,715)
Gross deferred tax liabilities	(129,010)	(9,314)	4,099	1,011	(124,806)
Deferred tax assets (liabilities), net	$ 73,193	$ 9,942	$ 7,230	$ (1,948)	$ 57,969
Reported in the consolidated balance sheet (after jurisdictional netting)					
Net deferred tax assets	$ 82,551				$ 76,151
Deferred tax liabilities	(9,358)				(18,182)
Deferred tax assets, net	$ 73,193				$ 57,969

(1) Inventory deferred tax assets as of 31 December 2020 has been restated. For further details refer to “Note 1. Nature of Operations.”

We remeasured certain deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future.

We periodically assess the recoverability of our deferred tax assets by considering whether it is probable that some or all of the actual benefit of those assets will be realized. To the extent that realization does not meet the "probable" criterion, we do not recognise a deferred tax asset. We periodically review the adequacy and necessity of unrecognised deferred tax assets by considering significant positive and negative evidence relative to our ability to recover deferred tax assets and to determine the timing and amount of the unrecognised deferred tax assets that should be released. This evidence includes: profitability in the most recent quarters; internal forecast profitability and expected utilization period; size of deferred tax asset relative to estimated profitability; the potential effects on future profitability from increasing competition, healthcare reforms and overall economic conditions; limitations and potential limitations on the use of our NOLs due to ownership changes; and the implementation of prudent and feasible tax planning strategies, if any.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Net Operating Loss Carryforwards

We had the following NOL carryforwards as of 31 December 2021 which can be used to reduce our income tax payable in future years (in thousands):

Region	Gross Amount	Tax Effected Amount Without Expiration	Tax Effected Amount With Expiration	Starting Expiration Year
Europe	$ 395,360	$ 94,613	$ 60	2026
U.S. Federal	$ 169,127	$ 4,456	$ 31,061	2023
U.S. State	$ 275,780	$ 2,673	$ 12,761	2022
Rest of World	$ 21,204	$ 6,187	$ 674	2025

Included in the table above are deferred tax assets that have not been recognised with respect of the following items (in thousands):

	31 December 2021	31 December 2020
Tax loss carryforwards	$ 79,001	$ 26,288
U.S. tax credits	38,974	35,210
Rest of World tax credits	1,133	1,321
Total	$ 119,108	$ 62,819

As a result of the business combination during the transitional period to 31 December 2015, the historic NOL's of Sorin U.S. are limited by IRC section 382. The annual limitation is approximately $18.3 million, which is sufficient to absorb the U.S. NOLs prior to their expiration. As a result of the April 2018 acquisition of TandemLife, there is an IRC section 382 annual limitation of approximately $ 17.2 million, which is sufficient to absorb the U.S. NOLs prior to their expiration.

For losses incurred after April 2017 in the UK, the Company anticipates a recoverability of these operating loss carryforwards beginning in 2027 as the Company expects an increase in taxable income due to the full amortisation of certain intangible assets. The Company is relying on estimated future income projections and judgement on the growth of the projected income for the recoverability of the deferred tax assets corresponding the NOLs. The Company estimates it will be able to recover its tax loss in less than 12 years through UK Group relief, as the UK Group will realize substantially an increase of taxable income as a result of increased revenues from royalty income and decreased amortisation of intangible assets beginning in 2027.

A significant portion of our worldwide net deferred tax liability relates to the tax effect of the step-up in value of the assets acquired with the acquisition of Sorin S.p.A. on 19 October 2015.

No provision has been made for income taxes on undistributed earnings of foreign subsidiaries as of 31 December 2021 because it is our intention to indefinitely reinvest undistributed earnings of our foreign subsidiaries. In the event of the distribution of those earnings in the form of dividends, a sale of the subsidiaries, or certain other transactions, we may be liable for income taxes. There should be no material tax liability on future distributions as most jurisdictions with undistributed earnings have various participation exemptions / no withholding tax. As of 31 December 2021, it was not practicable to determine the amount of the deferred income tax liability related to those investments.

Uncertain Tax Positions

Tax authorities may disagree with certain positions we have taken and assess additional taxes. We regularly assess the likely outcomes of our tax positions in order to determine the appropriateness of our reserves for uncertain tax positions. However, there can be no assurance that we will accurately predict the outcome of these audits and the actual outcome of an audit could have a material impact on our consolidated results of income, financial position or cash flows. If all of our unrecognised tax benefits as of 31 December 2021 were recognised, $1.7 million would impact our effective tax rate. We believe it is reasonably possible that, within the next twelve months, due to the settlement of uncertain tax positions with various tax authorities and the expiration of statutes of limitations, unrecognised tax benefits could decrease by up to approximately $0.6 million.

Accrued interest and penalties related to uncertain tax positions totalled $0.2 million and $0.4 million as of 31 December 2021 and 31 December 2020, respectively, and were included in non-current provisions on our consolidated balance sheet.

Other Matters

LivaNova PLC is domiciled and resident in the UK. Our subsidiaries conduct operations and earn income in numerous countries and are subject to the laws of taxing jurisdictions within those countries, and the income tax rates imposed in the tax jurisdictions in which our subsidiaries conduct operations vary. As a result of the changes in the overall level of our income, and the changes in tax laws, our consolidated effective income tax rate may vary from one reporting year to another.

The major jurisdictions where we are subject to income tax examinations are as follows:

Jurisdiction	Earliest Year Open
U.S. - federal and state	2015
Italy	2015
Germany	2019
England and Wales	2020

Jurisdiction	Earliest Year Open
Canada	2017

Note 25. Commitments and Contingencies

FDA Warning Letter

On 29 December 2015, the FDA issued a Warning Letter alleging certain violations of FDA regulations applicable to medical device manufacturers at our Munich, Germany and Arvada, Colorado facilities.

The FDA inspected the Munich facility from 24 August 2015 to 27 August 2015 and the Arvada facility from 24 August 2015 to 1 September 2015. On 27 August 2015, the FDA issued a Form 483 identifying two observed non-conformities with certain regulatory requirements at the Munich facility. We did not receive a Form 483 in connection with the FDA's inspection of the Arvada facility. Following receipt of the Form 483, we provided written responses to the FDA describing corrective and preventive actions that were underway or to be taken to address the FDA's observations at the Munich facility. The Warning Letter responded in part to our responses and identified other alleged violations related to the manufacture of our 3T Heater-Cooler device that were not previously included in the Form 483.

The Warning Letter further stated that our 3T devices and other devices we manufactured at our Munich facility were subject to refusal of admission into the U.S. until resolution of the issues set forth by the FDA in the Warning Letter. The FDA had informed us that the import alert was limited to the 3T devices, but that the agency reserved the right to expand the scope of the import alert if future circumstances warranted such action. The Warning Letter did not request that existing users cease using the 3T device, and manufacturing and shipment of all of our products other than the 3T device were unaffected by the import limitation. To help clarify these issues for current customers, we issued an informational Customer Letter in January 2016 and that same month agreed with the FDA on a process for shipping 3T devices to existing U.S. users pursuant to a certificate of medical necessity program.

Finally, the Warning Letter stated that premarket approval applications for Class III devices to which certain QSR deviations identified in the Warning Letter were reasonably related would not be approved until the violations had been corrected; however, this restriction applied only to the Munich and Arvada facilities, which do not manufacture or design devices subject to Class III premarket approval.

On 25 February 2020, LivaNova received clearance for K191402, a 510(k) for the 3T devices that addressed issues contained in the 2015 Warning Letter along with design changes that further mitigate the potential risk of aerosolization. Concurrent with this clearance, (1) 3T devices manufactured in accordance with K191402 will not be subjected to the import alert and (2) LivaNova initiated a collection to distribute the updated Operating Instructions cleared under K191402. With this 510(k) clearance, all actions to remediate the FDA's inspectional observations in the Warning Letter are complete, and at this time, LivaNova is awaiting the FDA's close-out inspection.

CDC and FDA Safety Communications and Company Field Safety Notice Update

On 13 October 2016, the CDC and the FDA separately released safety notifications regarding the 3T devices. The CDC's Morbidity and Mortality Weekly Report ("MMWR") and Health Advisory Notice ("HAN") reported that tests conducted by the CDC and its affiliates indicate that there appears to be genetic similarity between both patient and 3T device strains of the non- tuberculous mycobacterium (NTM) bacteria M. chimaera isolated in hospitals in Iowa and Pennsylvania. Citing the geographic separation between the two hospitals referenced in the investigation, the report asserts that 3T devices manufactured prior to 18 August 2014 could have been contaminated during the manufacturing process. The CDC's HAN and FDA's Safety Communication, issued contemporaneously with the MMWR report, each assess certain risks associated with 3T devices and provide guidance for providers and patients. The CDC notification states that the decision to use the 3T device during a surgical operation is to be taken by the surgeon based on a risk approach and on patient need. Both the CDC's and FDA's communications confirm that 3T devices are critical medical devices and enable doctors to perform life-saving cardiac surgery procedures.

Also on 13 October 2016, concurrent with the CDC's HAN and FDA's Safety Communication, we issued a Field Safety Notice Update for U.S. users of 3T devices to proactively and voluntarily contact facilities to aid in implementation of the CDC and FDA recommendations. In the fourth quarter of 2016, we initiated a program to provide existing 3T device users with a new loaner 3T device at no charge pending regulatory approval and implementation of additional risk mitigation strategies worldwide, including a vacuum canister and internal sealing upgrade program and a deep disinfection service. In April 2017, we obtained CE Mark in Europe for the design change of the 3T device, and in October 2018, the FDA concluded that we could commence the vacuum canister and internal sealing upgrade program in the U.S. On 25 February 2020, LivaNova received clearance for K. 191402, a 510(k) for the 3T devices that addressed issues contained in the 2015 Warning Letter along with design changes that further mitigate the potential risk of aerosolization. Concurrent with this clearance, (1) 3T devices manufactured in accordance with KI91402 will not be subjected to the import alert and (2) LivaNova initiated a collection to distribute the updated Operating Instructions cleared under K191402. We are in the process of completing and closing out all recall activities with the FDA. While our vacuum canister and internal sealing upgrade program and deep cleaning service in the U.S. are substantially complete, these services will continue as a servicing option outside of the U.S.

On 31 December 2016, we recognised a liability for our product remediation plan related to our 3T device. We concluded that it was probable that a liability had been incurred upon management's approval of the plan and the commitments made by management to various regulatory authorities globally in November and December 2016, and furthermore, the cost associated with the plan was reasonably estimable. At 31 December 2021 and 2020, the product remediation liability was $0.8 million and $1.1 million, respectively. Since clearance for K191402 was received, the liability associated with 3T remediation efforts has declined over time such that the Company has concluded that, at this point in time, the current/future liability is immaterial, and we do not intend to provide further disclosure on this matter. Refer to "Note 20. Contingent Consideration, Litigation Provision Liability and Other Provisions" for additional information.

Saluggia Site Hazardous Substances

LSM, formerly a subsidiary of Sorin, one of the companies that merged into LivaNova PLC in 2015, manages site services for the campus in Saluggia, Italy. The Saluggia campus is the location of manufacturing facilities of third parties, including those who acquired our Cardiac Rhythm Management and Heart Valve businesses, a cafeteria for workers, and storage facilities for hazardous substances and equipment used between 1960s and the late 1990s by a nuclear research centre that evolved into a nuclear medicine business. Pursuant to authorization from the Italian government, LSM has, and continues to, perform ordinary maintenance, secure the facilities, monitor air and water quality and file applicable reports with the competent environmental authorities.

During 2020, LSM received correspondence from ISIN (a sub-body of the Italian Ministry of Economic Development) requesting that within five years, LSM demonstrate the financial capacity to meet its obligations under Italian law to clean and dismantle any contaminated buildings and equipment as well as to deliver hazardous substances to a national repository. This repository will be built by the Italian government at a location and time yet to be determined. ISIN subsequently published Technical Guide n. 30, which identifies the technical criteria, and general safety and protection requirements for the design, construction, operation and dismantling of temporary storage facilities for the hazardous substances. In January 2021, a list of 67 potential sites for the national repository was published.

Although there is no legal obligation to being any work or deliver the hazardous substances, as the performance of these obligations is contingent on the construction of the as-yet unbuilt national repository, based on the aforementioned factors, the Company concluded its obligation to clean, dismantle, and deliver any hazardous substances to a national repository, is probable and reasonably estimable as of 31 December 2020. Accordingly, in the fourth quarter of 2020, we recognised a $49.5 million provision for this matter, which is included within exceptional items on the consolidated statements of income (loss). The liability as of 31 December 2020 was $50.4 million which was determined utilizing the middle of the estimated range of loss of $43.0 million to $55.0 million. At 31 December 2021 the liability was $44.0 million. The decrease in the liability from 31 December 2020 was primarily due to an increase in the discount rate applied to the liability, as well as the effects of foreign currency changes during the year ended 31 December 2021. A 0.5% increase or decrease in the discount rate applied would not have a material impact on the provision. The timing of any cash outflows associated with this provision is uncertain given the factors noted above, however we do not currently expect to incur significant cash outflows associated with this matter in the next three years. Refer to "Note 20. Contingent Consideration, Litigation Provision Liability and Other Provisions" for additional information.

Litigation

Product Liability

The Company is currently involved in litigation involving our 3T device. The litigation includes federal multi-district litigation in the U.S. District Court for the Middle District of Pennsylvania, various U.S. state court cases and cases in jurisdictions outside the U.S. A class action, filed in February 2016 in the U.S District Court for the Middle District of Pennsylvania, consisting of all Pennsylvania residents who underwent open heart surgery at WellSpan York Hospital and Penn State Milton S. Hershey Medical Center between 2011 and 2015 and who currently are asymptomatic for NTM infection, was dismissed on 16 July 2021.

On 29 March 2019, we announced a settlement framework that provides for a comprehensive resolution of the personal injury cases pending in the multi-district litigation in U.S. federal court, the related class action pending in federal court, as well as certain cases in state courts across the U.S. The agreement, which makes no admission of liability, is subject to certain conditions, including acceptance of the settlement by individual claimants and provides for a total payment of up to $225 million to resolve the claims covered by the settlement. Per the agreed-upon terms, the first payment of $135 million was paid into a qualified settlement fund in July 2019 and the second payment of $90 million was paid in January 2020. Cases covered by the settlement are being dismissed as amounts are disbursed to individual plaintiffs from the qualified settlement fund.

Cases in state and federal courts in the U.S. and in jurisdictions outside the U.S. continue to progress. As of 27 April 2022, including the cases encompassed in the settlement framework described above that have not yet been dismissed, we are aware of approximately 90 filed and unfiled claims worldwide, with the majority of the claims in various federal or state courts throughout the U.S. This number includes five cases that have settled but have not yet been dismissed. The complaints generally seek damages and other relief based on theories of strict liability, negligence, breach of express and implied warranties, failure to warn, design and manufacturing defect, fraudulent and negligent misrepresentation or concealment, unjust enrichment, and violations of various state consumer protection statutes.

During the years ended 31 December 2021 and 2020 we recognised additional litigation provisions of $35.1 million and $6.9 million, respectively, due to new information received about the nature of certain claims. At 31 December 2021, the provision for these matters was $39.5 million. While the amount accrued represents our best estimate for those filed and unfiled claims that we believe are both probable and estimable at this time, and which are a subset of the filed and unfiled claims worldwide of which we are currently aware, the actual liability for resolution of these matters may vary from our estimate. The remaining claims for which a provision has not been recorded are remote or the potential loss is not estimable at this time.

Environmental Liability

Sorin was created as a result of a spin-off (the Sorin spin-off) from SNIA in January 2004, and in October 2015, Sorin was merged into LivaNova. SNIA subsequently became insolvent and the Italian Ministry of the Environment and the Protection of Land and Sea (the Italian Ministry of the Environment), sought compensation from SNIA in an aggregate amount of approximately $4 billion for remediation costs relating to the environmental damage at chemical sites previously operated by SNIA's other subsidiaries.

In September 2011 and July 2014, the Bankruptcy Court of Udine and the Bankruptcy Court of Milan held (in proceedings to which we are not parties) that the Italian Ministry of the Environment and other Italian government agencies (the Public Administrations) were not creditors of either SNIA or its subsidiaries in connection with their claims in the Italian insolvency proceedings. The Public Administrations appealed and in January 2016, the Court of Udine rejected the appeal. The Public Administrations have also appealed that decision to the Supreme Court. In addition, the Bankruptcy Court of Milan's decision has been appealed.

In January 2012, SNIA filed a civil action against Sorin in the Civil Court of Milan asserting joint liability of a parent and a spun-off company; the Public Administrations entered voluntarily into the proceeding, asking Sorin, as jointly liable with SNIA, to pay compensation for SNIA's environmental damages. On 1 April 2016, the Court of Milan dismissed all legal actions of SNIA and of the Public Administrations further requiring the Public Administrations to pay Sorin approximately €292,000 (approximately $331,000 as of 31 December 2021) for legal fees. The Public Administrations appealed the 2016 Decision to the Court of Appeal of Milan (the Court of Appeal). On 5 March 2019, the Court of Appeal issued a partial decision on the merits declaring Sorin/LivaNova jointly liable with SNIA for SNIA's environmental liabilities in an amount up to the fair value of the net worth received by Sorin because of the Sorin spin-off, an estimated €572.1 million (approximately $649.1 million as of 31 December 2021). We appealed the partial decision on liability to the Italian Supreme Court in August 2019.

In November 2021, the Court of Appeal delivered the remainder of its decision, ordering LivaNova to pay damages of approximately €453.6 million (approximately $514.6 million as of 31 December 2021). We appealed the decision on damages in December 2021, and in early 2022, the Italian Supreme Court agreed to combine the appeals on liability and damages. On 21 February 2022, the Court of Appeal notified the Company that it granted the Company a suspension with respect to the payment of damages until a decision has been reached on the appeal to the Italian Supreme Court. This suspension was subject to providing a first demand bank surety of €270.0 million (approximately U.S. $306.2 million) within 30 calendar days. On 21 March 2022 LivaNova delivered the guarantee as required by the Court of Appeal, thereby satisfying the condition to obtain the suspension of the Court of Appeal's judgment for the payment of damages in connection with the SNIA litigation until review of such judgment by the Italian Supreme Court. Refer to "Note 34. Subsequent Events" for additional information on the financing of the guarantee.

In 2011, Caffaro, a SNIA subsidiary, sold its Brescia chemical business to Caffaro Brescia, a third party belonging to the Todisco group, and as part of the acquisition, Caffaro Brescia agreed to secure hydraulic barriers at the site and maintain existing environmental security measures. In September 2020, Caffaro Brescia declared it was withdrawing from its agreement to maintain the environmental measures. In January 2021, we (in addition to Caffaro Brescia, and other non-LivaNova entities) received an administrative order ("Order") from the Italian Ministry of the Environment requiring us to ensure the maintenance of the environmental measures and to guarantee that such works remain fully operational, the annual management and maintenance for which is estimated at approximately €1 million per year. LivaNova's receipt of the Order appears to be based on the aforementioned Court of Appeals decision regarding our alleged joint liability with SNIA for SNIA's environmental liabilities. Our response, dated 16 February 2021, disputes the grounds upon which the Order is based. We also appealed the Order in the Administrative Court in Brescia.

We have not recognised a liability in connection with these related matters matter because any potential loss is not currently probable.

Patent Litigation

On 11 May 2018, Neuro and Cardiac Technologies LLC (NCT), a non-practicing entity, filed a complaint in the U.S. District Court for the Southern District of Texas asserting that the VNS Therapy System, when used with the SenTiva Model 1000 generator, infringes the claims of U.S. Patent No. 7,076,307 owned by NCT. The complaint requested damages that include a royalty, costs, interest, and attorneys' fees. On 13 September 2018, we petitioned the Patent Trial and Appeal Board of the U.S. Patent and Trademark Office (the Patent Office) for an inter partes review ("IPR") of the validity of the '307 patent, and on 18 May 2020, the Patent Office issued a Final Written Decision determining that all challenged claims are unpatentable. On 16 November 2021, the district court dismissed NCT's compliant with prejudice, which concluded the litigation.

Contract Litigation

On 25 November 2019, LivaNova received notice of a lawsuit initiated by former members of Caisson Interventional, LLC, a subsidiary of the Company acquired in 2017. The lawsuit, Todd J. Mortier, as Member Representative of the former Members of Caisson Interventional, LLC v. LivaNova USA, Inc., is currently pending in the U.S. District Court for the District of Minnesota. The complaint alleges (i) breach of contract, (ii) breach of the covenant of good faith and fair dealing and (iii) unjust enrichment in connection with the Company's operation of Caisson's TMVR program and the Company's 20 November 2019 announcement that it was ending the TMVR program at the end of 2019. The lawsuit seeks damages arising out of the 2017 acquisition agreement, including various regulatory milestone payments. We intend to vigorously defend this claim. The Company has not recognised a liability related to this matter because any potential loss is not currently probable or reasonably estimable.

Other Matters

Additionally, we are the subject of various pending or threatened legal actions and proceedings that arise in the ordinary course of our business. These matters are subject to many uncertainties and outcomes that are not predictable and that may not be known for extended periods of time. Since the outcome of these matters cannot be predicted with certainty, the costs associated with them could have a material adverse effect on our consolidated net income, financial position or liquidity.

Note 26. Earnings Per Share

Basic EPS is calculated by dividing the profit for the year attributable to owners of the parent by the weighted average number of Ordinary Shares outstanding during the year. Diluted EPS is calculated by dividing the net profit attributable to attributable to owners of the parent by the weighted average number of Ordinary Shares outstanding during the year plus the weighted average number of Ordinary Shares that would be issued on conversion of all the dilutive potential Ordinary Shares into Ordinary Shares.

The following table sets forth the basic and diluted weighted-average shares outstanding used in the computation of basic and diluted EPS (in thousands of shares):

	Year Ended 31 December	
	2021	2020 Restated[1]
Numerator:		
Loss from continuing operations	$ (137,439)	$ (182,866)
Loss from discontinued operations	-	(1,493)
Loss attributable to owners of the parent	$ (137,439)	$ (184,359)
Denominator:		
Basic weighted average shares outstanding	50,633	48,592
Add effects of stock-based compensation instruments[2]	-	-
Diluted weighted average shares outstanding.	50,633	48,592
Basic loss per share:		
Continuing operations	$ (2.71)	$ (3.76)
Discontinued operations	-	(0.04)
	$ (2.71)	$ (3.80)
Diluted loss per share:		
Continuing operations	$ (2.71)	$ (3.76)
Discontinued operations	-	(0.04)
	$ (2.71)	$ (3.80)

[1] Loss from continuing operations, loss from discontinued operations and loss attributable to owners of the parent for the year ended 31 December 2020 have been restated. For further details refer to "Note 1. Nature of Operations."
[2] Excluded from the computation of diluted EPS for the years ended 31 December 2021 and 31 December 2020 were stock options, SARs and RSUs totalling 3.9 million and 4.1 million because to include them would have been anti-dilutive.

Note 27. Segment and Geographic Information

Segment Information

We identify operating segments based on the way we manage, evaluate and internally report our business activities to our chief operating decision maker (CODM), who is the CEO of LivaNova, for purposes of allocating resources and assessing performance. We have three operating segments: Cardiopulmonary, Neuromodulation and Advances Circulatory Support.

Effective in the fourth quarter of 2021, LivaNova changed its reportable segments corresponding to changes in how the Company's chief operating decision maker regularly reviews information, allocates resources and assesses performance. The segment financial information presented herein reflects these changes for all periods presented. For further details, refer to "Note 1. Nature of Operations."

Our Cardiopulmonary segment is engaged in the development, production and sale of cardiopulmonary products, including oxygenators, HLMs, autotransfusion systems, perfusion tubing systems, cannulae and other related accessories.

Our Neuromodulation segment generates its revenue from the design, development and marketing of devices that deliver neuromodulation therapy to treat DRE, DTD and OSA. Neuromodulation products include the VNS Therapy System, which consists of an implantable pulse generator, a lead that connects the generator to the vagus nerve, and other accessories.

Our Advanced Circulatory Support segment is engaged in the development, production and sale of leading-edge temporary life support products. These products include cardiopulmonary and respiratory support solutions consisting of temporary life support controllers and product kits that can include a combination of pumps, oxygenators, and cannulae.

"Other" includes the results of our Heart Valves business, which was disposed of on 1 June 2021, and corporate shared service expenses for finance, legal, human resources, information technology and corporate business development.

Net sales of our reportable segments include revenues from the sale of products that each reportable segment develops and manufactures or distributes. We define segment income as operating income before merger and integration, restructuring and amortisation of intangibles.

Geographic Information

We operate under three geographic regions: United States, Europe, and Rest of World. The table below presents revenue disaggregated by operating segment, major product line and primary geographic market (in thousands):

	Year Ended 31 December	
	2021	2020[1]
Cardiopulmonary		
United States	$ 154,073	$ 132,543
Europe	134,562	122,062
Rest of World	194,344	192,127
	482,979	446,732
Neuromodulation		
United States	358,476	282,509
Europe	51,435	39,019
Rest of World	46,261	32,916
	456,172	354,444
Advanced Circulatory Support		
United States	53,821	41,094
Europe	1,120	1,027
Rest of World	518	200
	55,459	42,321
Other[2]		
United States	4,929	12,488
Europe	14,407	31,259
Rest of World	21,419	46,997
	40,755	90,744
Totals		
United States	571,299	468,634
Europe[3]	201,524	193,367
Rest of World	262,542	272,240
Total[4][5]	$ 1,035,365	$ 934,241

(1) Amounts for the year ended 31 December 2020 reflect the change in the Group's reportable segments, as discussed above and in "Note 1. Nature of Operations. "
(2) Other primarily includes the net sales of the Company's Heart Valves business, which was disposed of on 1 June 2021.
(3) Europe sales include those countries in which we have a direct sales presence, whereas European countries in which we sell through distributors are included in Rest of World.
(4) Revenue with external customers includes $35.8 million and $29.7 million in the United Kingdom, our country of domicile, for the years ended 31 December 2021 and 2020, respectively.
(5) No single customer represented over 10% of our consolidated net sales. No country's net sales exceeded 10% of our consolidated sales except for the U.S.

The table below presents a reconciliation of segment income from continuing operations before exceptional items to operating loss from continuing operations (in thousands):

	Year Ended 31 December	
	2021	2020 Restated[1][2]
Operating profit (loss) before exceptional items		
Cardiopulmonary[3]	$ 14,341	$ 22,411
Neuromodulation	168,524	115,069
Advanced Circulatory Support	(5,724)	(9,294)
Other	(131,705)	(130,067)
Total operating income (loss) before exceptional items	45,436	(1,881)
Exceptional items	71,850	168,004
Operating loss from continuing operations	$ (26,414)	$ (169,885)

(1) Amounts for the year ended 31 December 2020 reflect the change in the Group's reportable segments, as discussed above and in "Note 1. Nature of Operations."
(2) Operating profit (loss) before exceptional items by segment and in total for the year ended 31 December 2020 have been restated. For further details refer to "Note 1. Nature of Operations."
(3) Cardiopulmonary operating profit before exceptional items decreased largely due to an increase in sales and marketing expenses due to lower 2020 commercial related variable and discretionary spending as a result of COVID-19 during the year ended 31 December 2020 and an increase in research and development expenses due to the upcoming launch of our next-generation HLM. These increases in expenses were partially offset by an increase in sales.

The following table presents capital expenditures by operating segment (in thousands):

	Year Ended 31 December	
	2021	2020(1)
Capital expenditures		
Cardiopulmonary	$ 14,824	$ 20,975
Neuromodulation	179	7,318
Advanced Circulatory Support	1,326	733
Other(2)	5,984	6,890
Total	$ 22,313	$ 35,916

(1) Amounts for the year ended 31 December 2020 reflect the change in the Group's reportable segments, as discussed above and in "Note 1. Nature of Operations."
(2) Other includes corporate capital expenditures as well as capital expenditures for the Company's Heart Valves business, which was disposed of on 1 June 2021.

The following table presents non-current assets, net of accumulated depreciation, amortisation and impairment, by primary geographic market. Non-current assets for this purpose consist of property, plant and equipment, intangible assets, goodwill and ROU assets (in thousands):

	31 December 2021	31 December 2020
United States	$ 774,096	$ 770,687
Europe	362,602	421,390
Rest of World	32,807	51,381
Total	$ 1,169,505	$ 1,243,458

Note 28. Related Parties

Interests in subsidiaries are set out in "Note 11. Investments in Subsidiaries." Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

The following receivable balance arose from financing transactions with equity investments (in thousands):

Consolidated Balance Sheet	31 December 2021	31 December 2020
Financial assets - non-current		
Noctrix	$ 272	$ 260
Other financial assets - current		
ALung	$ 2,495	$ 2,515
Respicardia, Inc.	-	791
	$ 2,495	$ 3,306

The following financing transaction was entered into with an equity investment during the years as follows (in thousands):

	Year Ended 31 December	
Consolidated Statement of (Loss) Income	2021	2020
Finance income		
ALung	$ (20)	$ 74
Noctrix	12	10
Respicardia, Inc.	(79)	149
	$ (87)	$ 233

Total compensation in respect of key management, who are defined as the Board and certain members of senior management, is considered to be a related party transaction.

The total compensation in respect of key management was as follows (in thousands):

	Year Ended 31 December	
	2021	2020
Salaries and short term benefits	$ 9,527	$ 6,313
Post-employment long-term benefits	857	547
Termination benefits	-	594
Share-based compensation	10,272	8,380
Total	$ 20,656	$ 15,834

Amounts received or receivable under share-based payment arrangements were $6.6 million and $4.8 million during the years ended 31 December 2021 and 2020.

There were no other material related party transactions in the year.

Details of directors' remuneration are included in pages 49 to 73 of the Directors' Remuneration Report, which forms part of these financial statements.

Note 29. Consolidated Statement of (Loss) Income - Expenses by Nature

	Year Ended 31 December	
(in thousands)	2021	2020 Restated[1]
Net sales	$ 1,035,365	$ 934,241
Cost of materials, service used and change in inventory	(440,047)	(422,505)
Personnel expense	(476,560)	(433,829)
Litigation provision, net	(35,055)	(6,919)
Other operating costs	(11,065)	(12,168)
Amortisation of intangibles and other assets	(30,281)	(38,798)
Depreciation of property, plant and equipment	(20,686)	(23,649)
Impairment of property, plant and equipment	-	(17)
Depreciation of right-of-use assets	(15,919)	(14,429)
Additions to provisions	(5,821)	(55,180)
Loss on sale of Heart Valve business	(26,345)	-
Impairment of long-lived assets	-	(96,632)
Operating loss from continuing operations	(26,414)	(169,885)
Finance expense	(77,308)	(59,827)
Finance income	435	131
Loss on debt extinguishment	(60,238)	(1,407)
Foreign exchange and other gains/(losses)	13,202	(12,660)
Share of loss from equity accounted investments	(148)	(264)
Loss from continuing operations before tax	(150,471)	(243,912)
Income tax benefit	13,032	61,046
Loss from continuing operations	(137,439)	(182,866)
Loss from discontinued operations, net of tax	-	(1,493)
Loss attributable to owners of the parent	$ (137,439)	$ (184,359)

[1] Cost of materials, services used and changes in inventory, as well as operating loss from continuing operations, loss from continuing operations before tax, loss from continuing operations and loss attributable to owners of the parent for the year ended 31 December 2020 have been restated. For further details refer to "Note 1. Nature of Operations."

The table below presents the items included within foreign exchange and other gains/(losses) on the consolidated statements of (loss) income (in thousands):

	Year Ended 31 December	
Foreign exchange and other gains/(losses)	2021	2020
Investment revaluation[1]	$ 4,642	$ -
Other derivative liabilities fair value adjustment[2]	4,290	(4,290)
Dividend income[1]	3,415	-
Foreign exchange rate fluctuations	(1,243)	(4,851)
Exchangeable Notes issuance costs	-	(2,482)
Other	2,098	(1,037)
	$ 13,202	$ (12,660)

[1] Refer to "Note 12. Financial Assets."
[2] Refer to "Note 5. Fair Value Measurements."

Note 30. Employee and Key Management Compensation Costs

	Year Ended 31 December	
(in thousands)	2021	2020
Wages and salaries	$ 354,831	$ 338,197
Share-based payments[1]	41,380	36,323
Other employee costs	80,349	59,309
	$ 476,560	$ 433,829

[1] Represents share-based payments included in personnel expense. Refer to "Note 22. Share-Based Incentive Plans" for total share-based compensation expense.

Employee numbers

The monthly average number of employees by geographic region during the years ended 31 December 2021 and 31 December 2020 are as follows (in thousands):

	Year Ended 31 December	
	2021[1]	2020
U.S.	1,121	1,179
Europe	1,754	2,136
Rest of World	439	581
Total	3,314	3,896

[1] The 2021 monthly average number of employees includes the employees of LivaNova's Heart Valve business through 1 June 2021, the date on which the business was disposed.

Note 31. Exceptional Items

The following exceptional items are included within operating loss (in thousands):

	Year Ended 31 December	
Exceptional items:	2021	2020
Litigation provision, net	$ 35,055	$ 6,919
Loss on sale of Heart Valve business[1]	26,345	-
Restructuring expenses	9,713	7,571
Merger and integration expenses	737	1,333
Impairment of long-lived assets	-	96,632
Decommissioning provision	-	49,549
Total exceptional items	$ 71,850	$ 168,004

[1] For further details refer to "Note 7. Divestiture of Heart Valve Business."

Merger and integration expenses.

Merger and integration expenses consist of costs associated with our Merger and business combinations. Such costs primarily include computer systems integration efforts, organizational structure integration, synergy and tax planning. LivaNova expects these costs to continue to decline further over time.

Restructuring expenses.

We have initiated several restructuring plans to leverage economies of scale, streamline distribution and logistics and strengthen operational and administrative effectiveness in order to reduce overall costs. We identify costs incurred and liabilities assumed for the restructuring plans. Refer to "Note 8. Restructuring" for more details.

Impairment of long-lived assets.

Refer to "Note 7. Divestiture of Heart Valve Business" and "Note 10. Goodwill and Intangible Assets" for more details.

Decommissioning provision.

Refer to "Note 25. Commitments and Contingencies" for more details.

Litigation provision, net.

Refer to "Note 25. Commitments and Contingencies" for more details.

Note 32. Auditors' Remuneration

	Year Ended 31 December	
(in thousands)	2021	2020
Total audit fees payable to the Company's Auditor	$ 4,650	$ 6,250
Audit-related services	325	260
Tax advisory and compliance services	538	448
Other non-audit services	1	1
Total fees payable to the Company's Auditor	$ 5,514	$ 6,959

Note 33. New Accounting Pronouncement

The following provides a description of future adoptions of new accounting standards that may have an impact on our financial statements when adopted:

Amendment to IAS 1 Presentation of Financial Statements.

An Amendment to IAS 1 'Presentation of Financial Statements' was issued in May 2020, with the objective of clarifying that liabilities are classified as current or non-current, depending on the rights that exist at the end of the period. The classification is not affected by the entity's expectations or events after the reporting date. The amendments also clarify what "settlement" of a liability refers to under IAS 1. The amendments to IAS 1 are effective as of 1 January 2023. The group does not expect the new amendment to materially impact its results of operations.

Amendment to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies.

An Amendment to IAS 1 and IFRS Practice Statement 2 - 'Disclosure of Accounting Policies' was issued in February 2021 the IASB issued a new amendment to IAS 1 on disclosure of "material" accounting policies rather than "significant" accounting policies. The amendments define what "material accounting policy information" is and explain how to identify it. It also clarifies that immaterial accounting policy information does not need to be disclosed, but if so, it should not obscure the relevant accounting information. To support this change, the IASB also amended the "IFRS Practice Statement 2 Making Materiality Judgments" to provide guidance on how to apply the concept of materiality to accounting policy disclosures. This amendment is effective as of 1 January 2023. The group does not expect the new amendment to materially impact its results of operations.

Amendment to IAS 8 - Accounting Policies, Change in Estimate and Error Rectification.

An Amendment to IAS 8 - 'Accounting Policies, Change in Estimate and Error Rectification' was issued in February 2021 clarifies how entities must distinguish changes in accounting policies from changes in accounting estimates, as changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events, as well as to the current period. This amendment is effective as of 1 January 2023. The group does not expect the new amendment to materially impact its results of operations.

Amendment to IAS 12 - Income Taxes.

An Amendment to IAS 12 - 'Income Taxes' was issued in May 2021 and requires entities to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. This typically applies to lease transactions (right-of-use assets and lease liabilities) and decommissioning and restoration obligations, as an example, and will require the recognition of additional deferred tax assets and liabilities. This amendment is effective as of 1 January 2023. The group is currently assessing the impact of the new amendment to its results of operations.

Note 34. Subsequent Events

On 24 February 2022, LivaNova PLC and its wholly-owned subsidiary, LivaNova USA, Inc., entered into an Incremental Facility Amendment No. 1 to the First Lien Credit Agreement with Goldman Sachs Bank USA, relating to a €200 million bridge loan facility (the "Bridge Loan Facility"). On 16 March 2022, LivaNova entered into Amendment No. 2 of the Bridge Loan Facility, which converted the available borrowings under the Bridge Loan Facility from €200 million to $220.0 million and converted the EURIBOR rate to the SOFR. LivaNova delivered a borrowing notice for $220.0 million in connection with the Bridge Loan Facility, which was funded on 17 March 2022. The proceeds of the Bridge Loan Facility were used by LivaNova to post a portion of the cash collateral supporting a first demand bank guarantee of €270.0 million to obtain the suspension of the Court of Appeal judgment for the payment of damages in connection with the SNIA litigation until review of such judgment by the Italian Supreme Court (the "SNIA Litigation Guarantee") and can be used towards payment of court ordered damages or settlements (including interest, expenses and charges in connection therewith) in the event of a negative decision by the Italian Supreme Court. The Bridge Loan Facility bears interest at an adjusted term SOFR, with a floor of 0.5%, plus 3.5% increasing by 0.25% 15 days after drawing and by an additional 0.5% 90 days after drawing and every 90 days thereafter, with a maximum margin of 5.25% over adjusted SOFR. The Bridge Loan Facility matures on 16 June 2023 and is subject to mandatory prepayment in connection with certain asset dispositions, equity or debt issuance as well as in the event that collateral securing the SNIA Litigation Guarantee is released.

On 18 March 2022, LivaNova PLC, acting through its Italian branch, entered into an Indemnity Letter and an Account Pledge Agreement with Barclays, further to which Barclays issued the SNIA Litigation Guarantee. As security for the SNIA Litigation Guarantee, LivaNova is required to grant cash collateral to Barclays in U.S. dollars in an amount equal to the USD equivalent of 105% of the amount of the SNIA Litigation Guarantee calibrated on a biweekly basis.

On 21 March 2022, LivaNova delivered the SNIA Litigation Guarantee as required by the Court of Appeals of Milan, thereby satisfying the condition to obtain the suspension of the Court of Appeals judgment for the payment of damages in connection with the SNIA litigation until review of such judgment by the Italian Supreme Court.

For additional information regarding the SNIA litigation, please refer to "Note 25. Commitments and Contingencies."

On 5 April 2022, we entered into an Agreement and Plan of Merger to acquire the remaining 97% equity interests in ALung Technologies, Inc., a privately held medical device company focused on creating advanced medical devices for treating respiratory failure, for a purchase price of up to $110.0 million, consisting of $10.0 million paid at closing, and contingent consideration of up to $100.0 million to be paid upon a sales-based earnout arrangement at milestone intervals beginning in 2023 and ending in 2027.

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Company Statement of (Loss) Income

(In thousands)

	Note	Year Ended 31 December 2021	Year Ended 31 December 2020
Revenue		$ 27,663	$ 34,909
Costs and expenses:			
Operating expenses		(97,236)	(89,824)
Exceptional items	19	(5.211)	(140,684)
Operating loss		(74,784)	(195,599)
Income from subsidiary undertakings		47,722	47,606
Finance income		6,109	8,419

	Note	Year Ended 31 December 2021	Year Ended 31 December 2020
Finance expense	10	(25,819)	(15,042)
Losses on disposal of investments, net		(13,963)	(609)
Foreign exchange and other gains/(losses)		(1,918)	3,067
Loss before tax		(62,653)	(152,158)
Income tax benefit	14	29,672	17,781
Loss for the financial year		$ (32,981)	$ (134,377)

Company Statement of Comprehensive Income

(In thousands)

	Note	Year Ended 31 December 2021	Year Ended 31 December 2020
Loss for the financial year		$ (32,981)	$ (134,377)
Items of other comprehensive (loss) income that will subsequently be reclassified under profit:			
Cash flow hedges for interest rate fluctuations	8	-	113
Tax impact		-	(27)
Foreign currency translation differences		(38,615)	43,267
Total items of other comprehensive (loss) income that will subsequently be reclassified under profit.		(38,615)	43,353
Items of other comprehensive income (loss) that will not subsequently be reclassified under profit:			
Remeasurements of net assets for defined benefits		5	(4)
Tax impact		-	-
Total items of other comprehensive income (loss) that will not subsequently be reclassified under profit		5	(4)
Total other comprehensive (loss) income, net of taxes		(38,610)	43,349
Total comprehensive loss for the year, net of taxes		$ (71,591)	$ (91,028)

Company Balance Sheet

(In thousands)

	Note	31 December 2021	31 December 2020
ASSETS			
Non-current assets			
Property, plant and equipment	3	$ 604	$ 1,085
Intangible assets	4	1,053	857
Right-of-use assets	11	2,498	6,001
Investments in subsidiaries	5	2,978,918	2,939,233
Other financial assets	6	-	17,706
Deferred tax assets	14	77,436	45,356
Other assets	16	38,365	35,771
Total non-current assets		3,098,874	3,046,009
Trade receivables	7	6,859	4,439
Other receivables	7	16,516	9,447
Derivative financial instruments	8	-	2,053
Other financial assets	6	399,024	169,136
Tax receivable		5,468	13,799
Cash and cash equivalents		167,489	228,229
Total current assets		595,356	427,103
Total assets		$ 3,694,230	$ 3,473,112
LIABILITIES AND EQUITY			
Equity			
Share capital	9	$ 82,295	$ 76,300
Merger relief reserve	9	383,179	66,446
Share premium	9	33,257	27,361
Capital redemption reserve	9	1,897	1,897
Treasury shares	9	(650)	(1,034)
Accumulated other comprehensive income	9	10,262	48,872
Retained earnings		2,323,106	2,320,553
Total equity		$ 2,833,346	$ 2,540,395
Non-current liabilities			
Financial liabilities	10	$ 509,849	$ 595,077
Provision for employee severance indemnities and other employee benefit provisions		4,166	2,470

	Note	31 December 2021	31 December 2020
Lease liabilities	11	2,759	4,313
Other liabilities		943	1,601
Deferred tax liabilities	14	113	1,176
Total non-current liabilities		517,830	604,637
Current liabilities			
Trade payables		13,117	10,741
Other payables	12	23,608	10,824
Derivative financial instruments	8	1,409	3,266
Lease liabilities	11	1,415	1,806
Other financial liabilities	10	302,768	299,213
Tax payable		737	2,230
Total current liabilities		343,054	328,080
Total liabilities and equity		$ 3,694,230	$ 3,473,112

See accompanying notes to the parent company financial statements

Registration number 09451374

The financial statements on pages 168 to 195 were approved by the Board and were signed on its behalf on 27 April 2022 by:

DAMIEN MCDONALD, CHIEF EXECUTIVE OFFICER & DIRECTOR

Company Statement of Changes in Equity

(In thousands)

	Note	Ordinary Shares Number of Shares	Share Capital	Merger Relief Reserve	Share Premium
Balance at 31 December 2019		49,411	$ 76,257	$ 66,446	$ 23,243
Share-based compensation plans	13	109	140	-	4,021
Cancellation of shares		(73)	(97)	-	97
Total transactions with owners, recognised directly in shareholders’ equity		36	43	-	4,118
Loss for the year		-	-	-	-
Other comprehensive income		-	-	-	-
Total comprehensive income (loss) for the year		-	-	-	-
Balance at 31 December 2020		49,447	76,300	66,446	27,361
Share-based compensation plans	13	133	187	-	5,896
Issuance of shares		4,182	5,808	316,733	-
Total transactions with owners, recognised directly in shareholders’ equity		4,315	5,995	316,733	5,896
Loss for the year		-	-	-	-
Other comprehensive loss		-	-	-	-
Total comprehensive loss for the year		-	-	-	-
Balance at 31 December 2021		53,762	$ 82,295	$ 383,179	$ 33,257

	Capital Redemption Reserve	Treasury Shares	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Equity
Balance at 31 December 2019	$ 1,897	$ (1,263)	$ 5,523	$ 2,436,130	$ 2,608,233
Share-based compensation plans	-	229	-	18,800	23,190
Cancellation of shares	-	-	-	-	-
Total transactions with owners, recognised directly in shareholders’ equity	-	229	-	18,800	23,190
Loss for the year	-	-	-	(134,377)	(134,377)
Other comprehensive income	-	-	43,349	-	43,349
Total comprehensive income (loss) for the year	-	-	43,349	(134,377)	(91,028)
Balance at 31 December 2020	1,897	(1,034)	48,872	2,320,553	2,540,395
Share-based compensation plans	-	384	-	35,534	42,001
Issuance of shares	-	-	-	-	322,541
Total transactions with owners, recognised directly in shareholders’ equity	-	384	-	35,534	364,542
Loss for the year	-	-	-	(32,981)	(32,981)
Other comprehensive loss	-	-	(38,610)	-	(38,610)
Total comprehensive loss for the year	-	-	(38,610)	(32,981)	(71,591)

	Capital Redemption Reserve	Treasury Shares	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Equity
Balance at 31 December 2021	$ 1,897	$ (650)	$ 10,262	$ 2,323,106	$ 2,833,346

Notes to the Financial Statements

Note 1. Nature of Operations

Company information.

LivaNova PLC (LivaNova PLC, the Company, Group, we or our) is a public limited company incorporated in the United Kingdom under the Companies Act 2006 (Registration number 09451374). The Company is domiciled in the England and Wales and its registered address is 20 Eastbourne Terrace, London, W2 6LG, United Kingdom.

Background.

LivaNova PLC was organized under the laws of England and Wales on 20 February 2015 for the purpose of facilitating the business combination of Cyberonics, Inc., a Delaware corporation and Sorin S.p.A., a joint stock company organized under the laws of Italy. As a result of the business combination, LivaNova PLC, headquartered in London, became the holding company of the combined businesses of Cyberonics and Sorin. The business combination became effective in October 2015. LivaNova's Ordinary Shares are listed for trading on Nasdaq under the symbol "LIVN." As part of the Mergers, Sorin undertook a cross-border legal entity merger with LivaNova (the Sorin merger) under which LivaNova was the surviving ultimate holding company.

Description of the business.

LivaNova PLC, headquartered in London, is a global medical device company focused on the development and delivery of important products and therapies for the benefit of patients, healthcare professionals and healthcare systems throughout the world. We design, develop, manufacture and sell innovative products and therapies that are consistent with our mission to provide hope to patients through innovative medical technologies, delivering life-changing improvements for both the Head and Heart. LivaNova is comprised of three reportable segments: Cardiopulmonary, Neuromodulation and Advanced Circulatory Support, corresponding to our primary business units. Other includes the results of our Heart Valves business, which was disposed of on 1 June 2021, and corporate shared service expenses for finance, legal, human resources, information technology and corporate business development.

Note 2. Basis of Preparation, Use of Accounting Estimates and Significant Accounting Policies

Basis of Preparation.

The separate financial statements of LivaNova PLC have been prepared on a going concern basis under the historical cost convention, except for derivative financial instruments and share based payments awards that have been measured at fair value in accordance with the Companies Act 2006 as applicable to companies using FRS 101. The financial statements are presented in U.S. dollars and all values are rounded to the nearest thousands, except when otherwise indicated. Our accounting policies have been applied consistently in 2021 as compared to 2020, other than where new policies have been adopted.

Going Concern.

Based on our current business plan, we believe that our existing cash and cash equivalents and future cash generated from operations will be sufficient to fund our expected operating needs, working capital requirements, capital expenditures and debt service requirements over the next twelve months from the issuance date of these consolidated financial statements. We regularly review our capital needs and consider various investing and financing alternatives to support our requirements. Therefore, it is appropriate to adopt the going concern basis in preparing these consolidated financial statements. In addition, the LivaNova PLC Consolidated Group (Consolidated Group) conditions may impact the value of the Company's investments in its subsidiaries and the Company's ability to recover amounts due from subsidiaries. As such, please refer to the Consolidated Group's going concern assessment included with "Note 2. Basis of Preparation, Use of Accounting Estimates and Significant Accounting Policies" to the Consolidated Group financial statements in this UK Annual Report.

The financial statements for the years ended 31 December 2021 and 31 December 2020 of LivaNova have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

Standard Disclosure	Exemption
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 - statement of cash flow information; and 134 to 136 - capital management disclosures.
IFRS 7, 'Financial Instruments: Disclosures'	Full exemption.
The following paragraphs of IFRS 13, 'Fair Value Measurement'	91 to 99 - disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities.
IAS 7, 'Statement of Cash Flows'	Full exemption.
The following paragraphs of IFRS 2, 'Share-based Payment'	45(b) and 46 to 52 - details of the number and weighted average exercise prices of share options, and the fair value of services received is determined.
The following paragraphs of IAS 8, 'Accounting policies, changes in accounting estimates and errors'	30 and 31 - requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective.
The following paragraphs of IAS 24, 'Related Party Disclosures'	17 - key management compensation; 18A - key management services provided by a separate management entity; and the requirements to disclose related party transactions entered into between two or more members of a group, provided

Standard Disclosure	Exemption
	that any subsidiary which is a party to the transaction is wholly owned by such a member.

New Accounting Pronouncements.

The following provides a description of future adoptions of new accounting standards that may have an impact on our financial statements when adopted:

Amendment to IAS 1 Presentation of Financial Statements.

An Amendment to IAS 1 ‘Presentation of Financial Statements’ was issued in May 2020, with the objective of clarifying that liabilities are classified as current or non-current, depending on the rights that exist at the end of the period. The classification is not affected by the entity's expectations or events after the reporting date. The amendments also clarify what "settlement" of a liability refers to under IAS 1. The amendments to IAS 1 are effective as of 1. January 2023. The Company does not expect the new amendment to materially impact its results of operations.

Amendment to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies.

An Amendment to IAS 1 and IFRS Practice Statement 2 - ‘Disclosure of Accounting Policies’ was issued in February 2021 the IASB issued a new amendment to IAS 1 on disclosure of "material" accounting policies rather than "significant" accounting policies. The amendments define what "material accounting policy information" is and explain how to identify it. It also clarifies that immaterial accounting policy information does not need to be disclosed, but if so, it should not obscure the relevant accounting information. To support this change, the IASB also amended the "IFRS Practice Statement 2 Making Materiality Judgments" to provide guidance on how to apply the concept of materiality to accounting policy disclosures. This amendment is effective as of 1 January 2023. The Company does not expect the new amendment to materially impact its results of operations.

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An Amendment to IAS 8 - ‘Accounting Policies, Change in Estimate and Error Rectification’ was issued in February 2021 clarifies how entities must distinguish changes in accounting policies from changes in accounting estimates, as changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events, as well as to the current period. This amendment is effective as of 1 January 2023. The Company does not expect the new amendment to materially impact its results of operations.

Amendment to IAS 12 - Income Taxes.

An Amendment to IAS 12 - ‘Income Taxes’ was issued in May 2021 and requires entities to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. This typically applies to lease transactions (right-of-use assets and lease liabilities) and decommissioning and restoration obligations, as an example, and will require the recognition of additional deferred tax assets and liabilities. This amendment is effective as of 1 January 2023. The Company is currently assessing the impact of the new amendment to its results of operations.

Investments in Subsidiaries.

Investments in subsidiaries are accounted for at cost less any provision for impairment. We assess at each reporting date, whether there is an indication that an investment may be impaired. If any indication exists, we estimate the investment’s recoverable amount. Where the carrying amount of an investment exceeds its recoverable amount, the investment is considered impaired and is written down to its recoverable amount.

Foreign Currency.

Our functional currency is the U.S. dollar; however, a portion of the revenues earned, and expenses incurred are denominated in currencies other than the U.S. dollar. We determine the functional currency of our subsidiaries that exist and operate in different economic and currency environments based on the primary economic environment in which the subsidiary operates, that is, the currency of the environment in which an entity primarily generates and expends cash.

The Euro is the functional currency of LivaNova PLC - Italian Branch, a branch of LivaNova PLC, and the assets, liabilities and equity of this branch are translated into U.S. dollars based on a combination of both current and historical exchange rates, while their revenues earned and expenses incurred are translated into U.S. dollars at average period exchange rates. Translation adjustments are included as AOCI on the Company balance sheet. Gains and losses arising from transactions denominated in a currency different from an entity’s functional currency are included in FX and other losses on our Company statement of (loss) income. Taxes are not provided on cumulative translation adjustments, as substantially all translation adjustments are related to earnings which are intended to be indefinitely reinvested in the countries where earned.

The Euro exchange rate to the USD used in preparing the Company financial statements was as follows:

	Weighted Average Rate	Closing Rate
	Euro	Euro
Year ended 31 December 2021	0.845433	0.881410
Year ended 31 December 2020	0.877417	0.815100

Financial Instruments.

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are offset with the net amount reported in the Company balance sheet only if there is a current enforceable legal right to offset the recognised amounts and intent to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(a) Financial Assets

Initial Recognition and Measurement.

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, investments, financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus, in the case of assets not at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date on which the Company commits to purchase or sell the asset.

The subsequent measurement and impairment of financial assets depends on their classification as described below:

Financial Assets at Fair Value through Profit or Loss.

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held-for trading if they are acquired for the purpose of selling or re-purchasing in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. We use freestanding derivative forward contracts to offset exposure to the variability of the value associated with assets and liabilities denominated in a foreign currency. These derivatives are not designated as hedges, and therefore changes in the value of these forward contracts are recognised in the Company statement of (loss) income, thereby offsetting the current net income (loss) effect of the related change in value of foreign currency denominated assets and liabilities. Changes in the fair value of our derivatives designated as hedges are recognised through OCI.

Loans and Receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the Company statement of (loss) income. The receivable balance consists primarily of trade receivables from our subsidiaries as a result of intercompany recharges, services and management fees. We maintain an expected credit loss provision for expected credit losses based on our estimates of the ability of our subsidiaries and third-party customers to make required payments, historical credit experience, existing economic conditions and expected future trends. We write off uncollectable accounts against the provision when all reasonable collection efforts have been exhausted. Loans, together with the associated provision are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. The losses arising from impairment are recognised in the Company statement of (loss) income in cost of sales or other operating expenses. Refer to "Note 7. Trade and Other Receivables and Expected Credit Loss Provision" for further information.

Financial Asset Derecognition.

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through arrangement, and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(b) Financial Liabilities

Initial Recognition and Measurement.

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings (bank debt), payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans, borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables, loans and bank debt including bank overdrafts, and derivative financial instruments.

The measurement of financial liabilities depends on their classification, as follows:

Financial Liabilities at Fair Value through Profit or Loss.

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held-for-trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39, which the Company has elected to apply. Gains or losses on liabilities held-for-trading are recognised in the Company statement of (loss) income. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IAS 39 are satisfied. The Company has not designated any financial liabilities as at fair value through profit or loss.

Loans and Borrowings.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the Company statement of (loss) income when the liabilities are derecognised as well as through the EIR method amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance expense in the Company statement of (loss) income.

Financial Guarantee Contracts.

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, and then adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured through profit or loss at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

Financial Liability Derecognition.

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Company statement of (loss) income.

Derivative financial instruments and hedge accounting.

We use currency exchange rate derivative contracts to manage the impact of currency exchange rate changes on the Company statement of (loss) income and cash flows. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. We evaluate hedge effectiveness at inception and on an ongoing basis. If a derivative is no longer expected to be highly effective, hedge accounting is discontinued. Hedge ineffectiveness, if any, is recorded in the Company statement of (loss) income. Cash flows from derivative contracts are reported as operating activities in the consolidated statement of cash flows.

When a hedging instrument expires, sold or is terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Company statement of (loss) income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

In order to minimise income statement and cash flow volatility resulting from currency exchange rate changes, we enter into derivative instruments, principally forward currency exchange rate contracts. These contracts are designed to hedge anticipated foreign currency transactions and changes in the value of specific assets and liabilities and of some revenue. At inception of the forward contract, the derivative is designated as either a freestanding derivative or a cash flow hedge. For derivative instruments that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative instrument is reported as a component of AOCI and reclassified to the Company statement of (loss) income to offset exchange differences originated by the hedged item or to adjust the value of loss from continuing operations. We do not enter into currency exchange rate derivative contracts for speculative purposes.

Cash and Cash Equivalents.

We consider all highly liquid investments with an original maturity of three months or less, consisting of demand deposit accounts and money market mutual funds, to be cash equivalents. Cash equivalents are carried on the Company balance sheet at cost, which approximated their fair value.

Non-monetary Assets.

Property, Plant and Equipment.

PP&E is carried at cost, less accumulated depreciation and any accumulated impairment losses. Maintenance and repairs, and minor replacements are charged to expense as incurred, while significant renewals and improvements are capitalised. We compute depreciation using the straight-line method over estimated useful lives. Where an item of PP&E comprises several parts with different useful lives, each part is recognised as a separate item and depreciated over its useful life. Useful life and residual value of PP&E are reviewed at each year-end. As necessary, the occurrence of changes to the useful life or residual value is recognised prospectively as a change in accounting estimates.

Leasehold improvements are depreciated over the shorter of the useful life of an asset or the lease term.

The estimated useful lives for all classes of depreciable PP&E, as of 31 December 2021 and 2020 are as follows:

	31 December 2021	31 December 2020
Leasehold improvements	up to 10	up to 10
Equipment, furniture, fixtures	up to 3	up to 3

Where there are any internal or external indications that the value of an item of PP&E may be impaired, the recoverable amount of the group of CGUs to which it belongs is calculated. If the recoverable amount is less than the carrying amount of the group of CGUs, a provision for impairment is recorded. PP&E is reviewed for impairment annually on 31st of December.

Impairment of Long-Lived Assets.

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s CGU’s fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Revenue.

Revenue largely consists of intercompany re-charges, services and management fees. Revenue is measured at the fair value of the consideration received or receivable. The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met.

Leases.

We have leases primarily for (i) real estate, including office space and manufacturing, warehouse and research and development facilities and (ii) vehicles. We determine if an arrangement is or contains a lease at inception or when the terms and conditions of a contract are significantly changed. ROU assets and lease liabilities are recognised based on the present value of the future minimum lease payments over the lease term at the latter of our lease standard effective date for adoption or the lease commencement date. Variable lease payments that do not depend on an index or rate, such as variable common area rent maintenance charges and utility fees not known upon lease commencement, are not included in determination of the minimum lease payments and will be expensed in the period in which the obligation for those payments is incurred. Variable lease payments that depend on an index or rate are initially measured using the index or rate as of the commencement date. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement in determining the present value of future payments. The incremental borrowing rate is determined using a risk-free rate adjusted for factors such as credit rating and borrowing currency, and represents an estimate of the interest rate we would incur at lease commencement to borrow the funds necessary to obtain an asset of similar value to the ROU asset over the term of a lease. The ROU lease asset also includes any lease payments made in advance and excludes lease incentives. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. ROU assets are depreciated over the shorter of the asset's useful life or the lease term on a straight-line basis. Lease payments are allocated between the liability and finance costs. Finance costs are recorded as an expense in the Company statement of (loss) income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability. Certain of our leases provide for tenant improvement allowances that have been recorded as ROU assets and amortised, using the straight-line method, over the life of the lease.

We apply certain practical expedients on an ongoing basis, including the practical expedient for short-term leases and leases of low-value assets pursuant to which a lessee is permitted to make an accounting policy election by class of underlying asset not to recognise a lease liability and lease asset. A short-term lease is defined as a lease with a term of 12 months or less and does not include an option to purchase the underlying asset that the lessee is reasonably certain to exercise. In exception to vehicles as it relates to the low-value lease asset policy, we have applied these accounting policies to all asset classes in our portfolio and will recognise the lease payments for such short-term leases and leases of low-value assets within profit or loss on a straight-line basis over the lease term.

Accounting for leases has no impact on the actual cash flows. However, lease accounting requires the capitalisation, and subsequent depreciation, of costs that were previously expenses as paid, which impacts disclosures of cash flows within the cash flow statement.

From a lessor perspective, certain of our agreements that allow the customer to use, rather than purchase, our medical devices meet the criteria of being a lease.

For additional information refer to "Note 11. Leases."

Share-Based Compensation.

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

The following share-based incentive awards are offered by the Company:

- Share Appreciation Rights (SAR). A SAR confers upon an employee the contractual right to receive an amount of cash, share, or a combination of both that equals the appreciation in the Company's common share from an award's grant date to the exercise date. SARs may be exercised at the employee's discretion during the exercise period and do not give the employee an ownership right in the underlying share. The SARs may be settled in LivaNova shares and/or cash, as determined by LivaNova and as set forth in the individual award agreements. SARs do not involve payment of an exercise price. We use the Black-Scholes option pricing methodology to calculate the grant date fair market value of SARs. We determine the expected volatility on historical volatility.

- Restricted Share (RS) and Restricted Share Units (RSU). We may grant RS and RSUs at no purchase cost to the grantee. The grantees of unvested RSUs have no voting rights or rights to dividends. Sale or transfer of the stock and stock units is restricted until they are vested. The fair market value of service-based RS and RSUs is determined using the market closing price on the grant date, and compensation is expensed ratably over the vesting period. Calculation of compensation for stock awards requires estimation of employee turnover and forfeiture rates. We have the right to elect to pay the cash value of vested restricted share units in lieu of the issuance of new shares. Under our share-based compensation plans we repurchase a portion of these shares from our employees to permit our employees to meet their minimum statutory tax withholding requirements on vesting of their restricted share.

- Market Performance-Based Restricted Share Units. We may grant market performance-based RSUs at no purchase cost to the grantee. The grantees of the units have no voting rights or rights to dividends. Sale or transfer of the units is restricted until they are vested. The number of shares that are ultimately transferred to the grantee is dependent upon the Company's percentile rank of TSR relative to a peer group. The fair market value of market performance-based RSUs is determined utilizing a Monte Carlo simulation on the grant date and compensation is expensed ratably over the service period. Calculation of compensation for market performance-based stock awards requires estimation of employee turnover, historical volatility and forfeiture rates.

- Operating Performance-Based Restricted Share Units. We may grant operating performance-based RSUs at no purchase cost to the grantee. The grantees of the units have no voting rights or rights to dividends. Sale or transfer of the units is restricted until they are vested. The number of shares that are ultimately transferred to the grantee is dependent upon the Company's achievement of certain thresholds for cumulative adjusted FCF and return on invested capital. The fair market value of operating performance-based RSUs is determined using the market closing price on the grant date. Compensation is expensed ratably over the service period and adjusted based upon the percent achievement of cumulative adjusted FCF. Calculation of compensation for operating performance-based stock awards requires estimation of employee turnover, adjusted FCF, return on invested capital and forfeiture rates.

Income Taxes.

The tax expense for the year comprises current and deferred tax. Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in OCI or directly in equity. In this case, the tax is also recognised in OCI or directly in equity, respectively.

The income tax expense or benefit for the year is the tax payable on the current year's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting year. Management establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred taxes are recognised by the liability method for temporary differences between the carrying amount of assets and liabilities in the balance sheet and their tax base. They are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Adjustments to deferred taxes resulting from changes in tax rates are recognised in profit or loss. A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. At each year-end, the Company reviews the recoverable value of deferred tax assets of tax entities holding significant loss carryforwards. This value is based, by tax entity, on the strategy for recoverability of the tax loss carryforwards. Deferred taxes are charged or credited directly to equity when the tax relates to items that are recognised directly in equity, such as gains and losses on cash flow hedges and actuarial gains and losses on defined benefit plan obligations. Deferred tax assets and liabilities are set off when they are levied on the same taxable entity by the same taxation authority and the entity has a legally enforceable right of set off. Deferred taxes are recognised for all temporary differences associated with investments in subsidiaries and associates, except to the extent that the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax balances are not discounted.

Equity.

Ordinary Shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of LivaNova as treasury shares until the shares are cancelled or reissued. Where such Ordinary Shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of LivaNova.

Contingencies.

The Company is subject to product liability claims, government investigations and other legal proceedings in the ordinary course of business. Legal fees and other expenses related to litigation are expensed as incurred and included in selling, general and administrative expenses in the Company statement of income. Contingent accruals are recorded when the Company determines that a loss is both probable and reasonably estimable. Due to the fact that legal proceedings and other contingencies are inherently unpredictable, our assessments involve significant judgement regarding future events.

Critical Estimates and Judgements.

The preparation of our financial statements in conformity with FRS 101 requires management to make judgements that affect the amounts reported in such financial statements and accompanying notes. These estimates and judgements are based on management's best knowledge of current events and actions we may undertake in the future. Actual results could differ materially from those estimates. Application of the following accounting policies requires certain judgements and estimates that have the potential for the most significant impact on our financial statements:

Critical Estimates

- Impairment of Investments in Subsidiaries. We performed impairment trigger assessments wherein we compared the net assets of our subsidiaries with their respective carrying values as of 31 December 2021. Where a trigger was identified, we performed impairment assessments utilizing the discounted cash flow models used in the assessment of the Group's CGUs for impairment. We performed a sensitivity analysis, as at 31 December 2021, for each of these assumptions, for each of the Group's CGU, and for our investments in Sorin Group Italia S.r.l., LivaNova Canada, Inc. and LivaNova USA, Inc., and determined that an increase of 0.5% in the discount rate used, or a decrease of 0.5% in the expected revenue growth rate, which we consider to be reasonably possible changes, would not result in an impairment of goodwill associated with any of the Group's CGU's or our investments. Refer to the consolidated financial statements "Note 10. Goodwill and Intangible Assets" under section "Impairment of Goodwill and Intangible Assets" for key assumptions and a sensitivity analysis over these key assumptions.

- Deferred Tax Recoverability. Management has made estimates regarding the recoverability of deductible temporary differences and tax losses carried forward to be utilized from future taxable profits. The Company has decided not to recognise UK deferred tax assets relating to losses where UK group relief is not permitted, and other timing differences due to the uncertainty involved in determining the future profitability of the Company. We performed a sensitivity analysis concerning the recoverability of our deferred tax assets as of 31 December 2021, utilizing the discounted cash flow models used in the assessment of the Group's CGUs for impairment. We determined that a decrease of 0.5% in the expected revenue growth rate used, which we consider to be a reasonably possible change, would not impact the expected timing of deferred tax asset utilization. For additional information, please refer to "Note 14. Income Tax Benefit."

Critical Judgements

- Commitments and Contingencies. Due to the fact that legal proceedings and other contingencies are inherently unpredictable, our assessments involve significant judgement regarding future events. See "Note 15. Commitments and Contingencies."

- Exceptional Items. Exceptional items are expense or income items which have been determined by management as being material by their size or incidence and are presented separately within the results of the Company. The determination of which items are disclosed as exceptional items will affect the presentation of profit measures and requires a degree of judgement. Details relating to exceptional items reported during the year are set out in "Note 19. Exceptional Items."

Note 3. Property, Plant and Equipment

(in thousands)	Leasehold Improvements	Equipment, Furniture & Fixtures	Total
At 31 December 2021			
Gross amount	$ 1,099	$ 3,429	$ 4,528
Accumulated depreciation	(638)	(3,286)	(3,924)
Net amount	$ 461	$ 143	$ 604
At 31 December 2020			
Gross amount	$ 1,667	$ 3,570	$ 5,237
Accumulated depreciation	(644)	(3,508)	(4,152)
Net amount	$ 1,023	$ 62	$ 1,085

Changes during the year in the net amount of each category of property, plant and equipment are indicated below:

(in thousands)	Leasehold Improvements	Equipment, Furniture & Fixtures	Total
Net Amount at 31 December 2019	$ 956	$ 87	$ 1,043
Additions with currency translation	230	39	269
Depreciation	(163)	(64)	(227)

(in thousands)	Leasehold Improvements	Equipment, Furniture & Fixtures	Total
Net Amount at 31 December 2020	1,023	62	1,085
Additions with currency translation	390	118	508
Disposals	(830)	-	(830)
Depreciation	(122)	(37)	(159)
Net Amount at 31 December 2021	$ 461	$ 143	$ 604

Depreciation costs charged to the Company statement of (loss) income, within operating expenses, totalled $0.2 million for the years ended 31 December 2021 and 31 December 2020.

Note 4. Intangible Assets

(in thousands)	Patents	Licenses	Software and Other	Total
At 31 December 2021				
Gross amount	$ 7,555	$ 1,288	$ 8,196	$ 17,039
Accumulated amortisation	(7,555)	(1,288)	(7,143)	(15,986)
Net amount	$ -	$ -	$ 1,053	$ 1,053
At 31 December 2020				
Gross amount	$ 8,170	$ 1,423	$ 8,148	$ 17,741
Accumulated amortisation	(8,170)	(1,395)	(7,319)	(16,884)
Net amount	$ -	$ 28	$ 829	$ 857

The changes in the net carrying value of each class of intangible assets during the year are indicated below:

(in thousands)	Licenses	Software and Other	Total
Net amount at 31 December 2019	$ -	$ 3,519	$ 3,519
Additions with currency translation	31	5,611	5,642
Impairment[1]	-	(6,745)	(6,745)
Amortisation[2]	(3)	(1,556)	(1,559)
Net Amount at 31 December 2020	28	829	857
Additions with currency translation	-	576	576
Reclassifications	(28)	28	-
Disposals	-	(26)	(26)
Amortisation[2]	-	(354)	(354)
Net Amount at 31 December 2021	$ -	$ 1,053	$ 1,053

[1] Impairment of software was charged to the Company statement of (loss) income within exceptional items of $6.7 million for the year ended 31 December 2020. For information related to the impairment of software refer to "Note 10. Goodwill and Intangible Assets" in the consolidated financial statements.

[2] Amortisation costs were charged to the Company statement of (loss) income within operating expenses during the years ended 31 December 2021 and 31 December 2020.

Amortisation is charged on a straight-line basis. The amortisation periods for our finite-lived intangible assets as of 31 December 2021 were as follows:

	Minimum Life in Years	Maximum Life in Years
Licenses	5	5
Software and other	5	5

The amortisation periods for our finite-lived intangible assets as of 31 December 2020 were as follows:

	Minimum Life in Years	Maximum Life in Years
Licenses	5	5
Software and other	5	5

Note 5. Investments in Subsidiaries

(in thousands)	31 December 2021	31 December 2020
Gross amount	$ 2,978,918	$ 3,163,104
Accumulated impairment	-	(223,871)
Net book value	$ 2,978,918	$ 2,939,233

(in thousands)	Cost
Net Amount at 31 December 2019	$ 2,866,406
Additions[1]	91,342
Impairment[2]	(73,793)
Other	1,191
Currency translation	54,087
Net Amount at 31 December 2020	2,939,233
Additions[3]	272,472
Disposals	(183,274)

(in thousands)	Cost
Other	1,428
Currency translation	(50,941)
Net Amount at 31 December 2021	$ 2,978,918

(1) 2020 Additions - During 2020, we increased our investment in LivaNova Nederland N.V. by $47.7 million. We also increased our investment in Sorin Group Italia S.r.l. by $43.6 million by purchasing shares from LivaNova Site Management S.r.l., which increased our ownership by 6%.
(2) 2020 Impairment - During 2020, we recorded an impairment of $73.8 million of our investment in LivaNova Canada Corp. based upon the current indication of fair value as of 31 December 2020 and taking into consideration the promissory note due from LivaNova Canada Corp. In the determination of fair value, we valued the Canada HV business at fair value less cost to sell and alternatively, valued the Canada business unrelated to HV that will not be sold at value in use. Refer to "Note 6. Financial Assets " for further information regarding the promissory note.

(3) 2021 Additions - During 2021, we invested $12.5 million in LivaNova Canada Inc, which represents the portion of LivaNova's Canada business that remained upon the divestiture of HV. We also increased our investment in LivaNova Canada Corp by $74.3 million and increased our investment in Sorin Group Italia S.r.l. by $89.6 million. As part of our initiative to streamline our group structure and reduce administration costs, we underwent a reorganization in which we increased our ownership in LIVN UK Holdco Limited from 42.07% at 31 December 2020 to 100% at 31 December 2021 (this took place through several transactions which resulted in a total increase of $9.4 million and decrease of $42.5 million). We also increased our investments in LivaNova, Inc by $43.4 million (subsequently contributed in exchange for new shares of LivaNova USA, Inc) and LivaNova USA, Inc by $43.4 million (in exchange for the investment in LivaNova, Inc).
(4) 2021 Disposals - During 2021, as part of the HV divestiture, we disposed of our investment in LivaNova Canada Corp of $74.3 million, net of accumulated impairment at 31 December 2020 for $73.8 million. We also reduced our investment in Cyberonics Netherlands CV by $23.0 million due to our continuing post-merger integration. Also, as part of our reorganization, as explained in Note 3, we decreased our investment in LivaNova, Inc by $43.4 million and LIVN UK Holdco for $42.5 million, net of accumulated impairment at 31 December 2020 for $150.1 million (in exchange for LivaNova, Inc shares).

The detail of investments in subsidiary undertakings as at 31 December 2021 and 2020 is shown as follows (in thousands, except ownership percent):

	Percent Ownership(1)		Investments in Subsidiaries	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
LIVN UK Holdco Limited	100.00	42.07	$ 3,884	$ 36,985
LIVN Irischo Unlimited Company	100.00	100.00	401	401
LivaNova Canada Corp	0.00	100.00	-	-
LivaNova Canada Inc.	100.00	N/A	12,516	-
LivaNova USA, Inc.	100.00	100.00	1,079,549	1,035,481
LivaNova Nederland N.V.	100.00	100.00	109,239	109,135
LivaNova Switzerland SA	100.00	100.00	6,322	6,318
LivaNova IP Limited	100,00	100.00	-	-
Cyberonics Netherlands CV	99.00	99.00	207	23,153
Cyberonics Holdings LLC	100.00	100.00	93	93
LivaNova Cayman Limited	100.00	100.00	950,020	950,020
LivaNova Hungary Limited Liability Company	100.00	100.00	100,202	100,202
Sorin Group Italia S.r.l.	98.98	98.98	698,122	657,589
LivaNova Site Management S.r.l.	86.42	86.42	18,363	19,856
			$ 2,978,918	$ 2,939,233

(1) The Company's voting right percentage is equal to its ownership percentage.

The Company had the following directly and indirectly owned subsidiaries as of 31 December 2021:

	Registered Office	Country of Incorporation	% Consolidated Group Ownership	Parent Name	Parent % Ownership
LivaNova PLC (Italian Branch)	Via Benigno Crespi 17 20159 Milan, Italy	Italy	100		
Caisson Interventional, LLC	6500 Wedgwood Rd., Maple Grove, MN 55311	U.S.	100	LivaNova USA, Inc.	100
CardiacAssist, Inc. Dba Tandem Life	620 Alpha Drive, Ste 200, Pittsburgh, PA 15238	U.S.	100	LivaNova USA, Inc.	100
Cyberonics Holdings LLC*	100 Cyberonics Boulevard, Houston, TX 77058 USA	U.S.	100	LivaNova PLC	100
Cyberonics Netherlands CV*	100 Cyberonics Boulevard, Houston, TX 77058 USA	Netherlands	100	LivaNova PLC	99
				Cyberonics Holdings LLC	1
Cyberonics Spain SL(1)	100 Cyberonics Boulevard, Houston, TX 77058 USA	Spain	100	CYBX Netherlands C.V.	100
ImThera Medical, Inc.	100 Cyberonics Boulevard, Houston, TX 77058 USA	U.S.	100	LivaNova USA, Inc.	100
LivaNova Australia PTY Limited	Tower 2, 123 St Georges Terrace Perth, WA 6000	Australia	100	LivaNova Nederland N.V.	100
LivaNova Austria GmbH	Millennium Tower, Handelskai 94-96, 1200 Wien	Austria	100	LivaNova Nederland N.V.	100

	Registered Office	Country of Incorporation	% Consolidated Group Ownership	Parent Name	Parent % Ownership
LivaNova Belgium NV	Ikaroslaan 83, 1930 Zaventem, Belgium	Belgium	100	LivaNova Nederland N.V.	100
LivaNova Brasil Comércio e Distribuição de Equipamentos Médico-hospitalares Ltda	Rua Liege, 54 - Vila Vermelha, 04298-070 - São Paulo - SP - Brasil	Brazil	100	Sorin Group Italia S.r.l.	100
LivaNova Canada, Inc.*	8-280 Hillmount Road Markham, ON L6C 3A1	Canada	100	LivaNova PLC	100
LivaNova Cayman Limited*	Cannon Place, Grand Cayman, Cayman Islands	Cayman Islands	100	LivaNova PLC	100
LivaNova Chile SpA	Santiago, Chile	Chile	100	LivaNova UK Limited	100
LivaNova Colombia Sas	Avenida Calle 80 No. 69-70 Bodega 37, Bogotá, Colombia	Colombia	100	Sorin Group Italia S.r.l.	100
LivaNova Deutschland GmbH	Lindberghstrasse 25, D - 80939 München, Germany	Germany	100	Sorin Group Italia S.r.l.	100
LivaNova España, S.L.	Avenida Diagonal 123, planta 10, 08005, Barcelona, Spain	Spain	100	LivaNova Nederland N.V.	100
LivaNova Finland OY	c/o Kalliolaw Asianajotoimisto Oy, Södra kajen 12, 00130 Helsinki, Finland	Finland	100	Sorin Group Italia S.r.l.	100
LivaNova Holding S.r.l.	Via Benigno Crespi, 17 - 20159 Milano, Italy	Italy	100	Sorin Group Italia S.r.l.	100
LivaNova Hong Kong Limited	9/F, Wah Yuen Bldg, 149 Queen's Road, Central, Hong Kong, Hong Kong	Hong Kong	100	LivaNova Nederland N.V.	100
LivaNova Hungary Limited Liability Company*	H-1062 Budapest, Váci út 1-3, A épület, 6. em.	Hungary	100	LivaNova PLC	100
LivaNova, Inc.	100 Cyberonics Boulevard, Houston, TX 77058 USA	U.S.	100	LivaNova USA, Inc.	100
LivaNova India Private Limited	603-A, Copia Corporate Suites, Building #09, Jasola District Centre, New Delhi, India 110025	India	100	LivaNova Nederland N.V.	100
LivaNova IP Limited*	20 Eastbourne Terrace, London, England W2 6LG, United Kingdom	United Kingdom	100	LivaNova PLC	100
LivaNova Japan K.K.	11-1 Nagatacho 2 chome, Chiyoda-ku, Tokyo, 100-6110 Japan	Japan	100	LivaNova Nederland N.V.	100
LivaNova (Thailand) Ltd	4,4/5 Zen World Tower Level 12, Rajdamri Road, Pathumwan, Pathumwan, Bangkok, 10330, Thailand	Thailand	100	LivaNova Nederland N.V.	100
LivaNova (China) Medical Technology Co. Ltd	Room 3006, 30F, C Building, SML Centre, No. 610 Xujiahui Road, Huangpu District, Shanghai, 200025, China	China	100	LivaNova Holding S.r.l.	100
LivaNova Malaysia Sdn. Bhd.	Unit A-3-6, TTDI Plaza, Jalan Wan Kadir 3, Taman Tun Dr Ismail, 60000 Kuala Lumpur, Malaysia	Malaysia	100	LivaNova Nederland N.V.	100
LivaNova Nederland N.V.*	Westerdoksdijk 423, 1013 BX, Amsterdam, Netherlands	Netherlands	100	LivaNova PLC	100
LivaNova Norway AS	c/o AmestoAccounthouse AS, Smeltedigelen 1,0195 Oslo, Norway	Norway	100	Sorin Group Italia S.r.l.	100
LivaNova Poland Sp. Z o.o.	Park Postepu Bud A UI. Postepu 21 PL-02 676 Warszawa, Poland	Poland	100	LivaNova Nederland N.V.	100
LivaNova SAS	Issy-les-Moulineaux (92130), 24 rue du Gouverneur Général Eboué, France	France	100	LivaNova Nederland N.V.	100
LivaNova Scandinavia AB	Djupdalsvägen 16, 192 51 Sollentuna, Sweden	Sweden	100	Sorin Group Italia S.r.l.	100
LivaNova Singapore Pte Ltd	11 North Buona Vista Drive #13-09, The Metropolis, Singapore	Singapore	100	LivaNova Nederland	100

	Registered Office	Country of Incorporation	% Consolidated Group Ownership	Parent Name	Parent % Ownership
	138589			N.V.	
LivaNova Site Management S.r.l.*	Via Benigno Crespi 17 20159 Milan, Italy	Italy	100	LivaNova PLC	86
				Sorin Group Italia S.r.l.	14
LivaNova Switzerland SA*	Rue du Grand-Pont 12, 1003 Lausanne	Switzerland	100	Parent Name LivaNova PLC	100
LivaNova Taiwan Co. Ltd	2F., No. 101, Songren Rd., Xinyi Dist., Taipei City, 11073, Taiwan (R.O.C.)	Taiwan	100	LivaNova Nederland N.V.	100
LivaNova Turkey Medikal Limited Sirketi	Nart E-office, Pol Center Ecza Sok. No.4 Levent Istanbul	Turkey	100	LivaNova Nederland N.V.	100
LivaNova UK Limited	1370 Montpellier Court, Gloucester Business Park, Gloucester, Gloucestershire, GL3 4AH, United Kingdom	United Kingdom	100	LivaNova Nederland N.V.	100
LivaNova USA, Inc.*	100 Cyberonics Boulevard, Houston, TX 77058 USA	U.S.	100	LivaNova PLC	100
LIVN Irishco 2 UC	Deloitte, 6 Lapps Quay, Cork, T12 TA48, Ireland	Ireland	100	LIVN UK Holdco Limited	100
LIVN Irishco Unlimited Company(1)*	Deloitte, 6 Lapps Quay, Cork, T12 TA48, Ireland	Ireland	100	LivaNova PLC	100
LIVN Luxco 2 sarl	15 Rue Edward Steichen L-2540 Luxembourg	Luxembourg	100	LIVN UK Holdco Limited	100
LIVN UK 2 Co Limited	20 Eastbourne Terrace, London, England W2 6LG, United Kingdom	United Kingdom	100	LIVN US 5, LLC	100
LIVN UK Holdco Limited*	20 Eastbourne Terrace, London, England W2 6LG, United Kingdom	United Kingdom	100	LivaNova PLC	100
LIVN US 3, LLC	100 Cyberonics Boulevard, Houston, TX 77058 USA	U.S.	100	LivaNova, Inc.	100
LIVN US 5, LLC	100 Cyberonics Boulevard, Houston, TX 77058 USA	U.S.	100	LIVN US 3, LLC	100
Sorin Group Czech Republic s.r.o	Na poriçi 1079/3a Nové Mesto Praha 110 00 Praha 1, Czech Republic	Czech Republic	100	Sorin Group Italia S.r.l.	100
Sorin Group Italia S.r.l.*	Via Benigno Crespi, 17 - 20159	Italy	100	LivaNova PLC	99
	Milano, Italy			LivaNova Holding S.r.l.	1
Sorin Group Rus LLC	Marshal Proshlyakov str. 30 office 304 123458 Moscow, Russia	Russia	100	Sorin Group Italia S.r.l.	100

(1) As of 31 December 2021 the following subsidiaries were in liquidation: LIVN Irishco Unlimited Company and Cyberonics Spain SL (Liquidated in March 2022)

* Represents a direct investment of LivaNova PLC.

Note 6. Financial Assets

The table below lists our non-current financial assets, representing our investment in the equity instruments of Respicardia, which was sold in April 2021. Respicardia, a privately funded U.S. company, was held at cost, which we believe was an appropriate estimate of fair value as of 31 December 2020 (in thousands):

(in thousands)	31 December 2021	31 December 2020
Due in more than 12 months:		
Investment in Respicardia(1)	$ -	$ 17,706

(1) In April 2021, Zoll Medical Corporation acquired Respicardia Inc. As a result of the acquisition we received proceeds of $23.1 million for our investment and loan receivable with carrying values of $17.7 million and $0.8 million as of 31 December 2020, respectively. The Company recorded a gain of $4.6 million during the first quarter of 2021 to adjust the investment and loans receivable to fair value, which is included in losses on disposal of investments, net on the Company statement of income (loss) for the year ended 31 December 2021.

Our current financial assets in the balance sheet include the following:

(in thousands)	31 December 2021	31 December 2020
Due in less than 12 months		
Due from subsidiaries(1)	$ 399,012	$ 135,132
Note due from subsidiary(2)	-	89,733
Due from Respicardia Inc.	-	791
Other	12	10

(in thousands)	31 December 2021	31 December 2020
Expected credit loss provision[2]	-	(56,530)
	$ 399,024	$ 169,136

[1] LivaNova PLC, in the management of LivaNova centralized treasury and acting as in-house bank of the Group, loans excess cash to subsidiaries. Interest accrues and is paid quarterly at LIBOR plus 1.5% per annum. Principal is due on demand with 10 days notice.
[2] Note due from subsidiary represents a 6% promissory note, plus accrued interest, due from LivaNova Canada Corp. The note matures 27 November 2025. However, the note is presented as current as of 31 December 2020 as the note is expected to be settled within 12 months from 31 December 2020 as a result of entering into the HV Purchase Program. During 2020 we recorded an expected credit loss provision of $56.5 million to the note receivable based on our assessment of LivaNova Canada Corp.'s ability to repay the note.

Note 7. Trade and Other Receivables and Expected Credit Loss Provision

Trade receivables consisted of the following:

(in thousands)	31 December 2021	31 December 2020
Trade receivables due from third parties	$ 369	$ 291
Trade receivables due from LivaNova subsidiaries[1]	6,759	4,439
Expected credit loss provision	(269)	(291)
Total	$ 6,859	$ 4,439

[1] Trade receivables due from subsidiaries are paid within 90 days and no interest is charged.

Trade receivables are reported net of the expected credit loss provision, the changes in which are provided below:

(in thousands)	Year ended 31 December 2021	Year ended 31 December 2020
Beginning of year	$ 291	$ 266
Currency translation gains/losses	(22)	25
End of year	$ 269	$ 291

Below is a summary of other receivables:

(in thousands)	Year ended 31 December 2021	Year ended 31 December 2020
Prepaid assets	$ 1,362	$ 1,534
Deposit and advances to suppliers	15,102	7,855
Guarantee deposits	52	58
Total	$ 16,516	$ 9,447

Note 8. Derivative Financial Instruments

We enter into FX derivative contracts and entered into interest rate swap contracts to reduce the impact of foreign currency exchange rate and interest rate fluctuations on earnings and cash flow, for additional details refer to our accounting policy "Derivatives" included within "Note 2. Basis of Preparation, Use of Accounting Estimates and Significant Accounting Policies."

Freestanding FX Derivative Contracts

The gross notional amount of FX derivative contracts, not designated as hedging instruments, outstanding at 31 December 2021 and 31 December 2020 was $136.7 million and $352.6 million, respectively. These derivative contracts are designed to offset the FX effects in earnings of various intercompany loans and trade receivables.

The amount and location of the gains (losses) in the Company statement of (loss) income related to derivative instruments, not designated as hedging instruments, are as follows (in thousands):

		Year Ended 31 December	
Derivatives Not Designated as Hedging Instruments	Location	2021	2020
Foreign currency exchange rate contracts	Foreign exchange and other gains/ (losses)	$ 10,944	$ (16,600)

Presentation in Financial Statements

The amount of gains (losses) and location of the gains (losses) in the Company statement of (loss) income and AOCI related to interest rate swap derivative instruments designated as cash flow hedges are as follows (in thousands):

	Year Ended 31 December 2020		
	Gross Gains Recognised in OCI on Effective Portion of Derivative	Effective Portion of Losses on Derivative Reclassified from:	
Derivatives in Cash Flow Hedging Relationships	Amount	Location	Amount
Interest rate swap contracts	$ -	Finance expense	$ (113)

The following tables present the fair value, and the location of, derivative contracts reported in the Company balance sheet (in thousands):

31 December 2021	Asset Derivatives		Liability Derivatives	
Derivatives Designated as Hedging Instruments	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
FX derivative contracts	Current financial derivative liabilities	$ 243	Current financial derivative liabilities	$ 1,286

31 December 2021	Asset Derivatives		Liability Derivatives	
Derivatives Designated as Hedging Instruments	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Total derivatives designated as hedging instruments		243		1,286
Derivatives Not Designated as Hedging Instruments				
FX derivative contracts	Current financial derivative liabilities	61	Current financial derivative liabilities	427
Total derivatives not designated as hedging instruments		61		427
Total derivatives		$ 304		$ 1,713

31 December 2020	Asset Derivatives		Liability Derivatives	
Derivatives Designated as Hedging Instruments	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
FX derivative contracts	Current financial derivative assets	$ 1,998	Current financial derivative liabilities	$ 14
FX derivative contracts	Current financial derivative liabilities	895		
Total derivatives designated as hedging instruments		2,893		14
Derivatives Not Designated as Hedging Instruments				
Interest rate swap contracts			Current financial derivative liabilities	74
FX derivative contracts	Current financial derivative assets	55	Current financial derivative liabilities	4,073
Total derivatives not designated as hedging instruments		55		4,147
Total derivatives		$ 2,948		$ 4,161

Note 9. Equity

Share capital

Our authorised share capital is as follows:

(in number of shares)	31 December 2021	31 December 2020
Authorised share capital, Ordinary Shares of £1 each, unlimited shares authorised		
Issued[(1)]	53,761,510	49,447,473
Outstanding	53,263,297	48,655,863

(1) Allotted, fully paid and issued.

Preferred shares

LivaNova may issue preferred shares by special resolution or by determination by the Board of LivaNova.

Treasury shares

Shares held by the EBT are issued to employees and directors at exercise of stock-based compensation grants. The balance of shares in the EBT are reported as treasury shares. We did not issue any additional shares to our EBT during the years ended 31 December 2021 or 31 December 2020.

Reserves

Merger relief reserve.

On 19 October 2015 pursuant to the Mergers, the merger relief reserve was recognised in the amount of $2,649.6 million as a result of the share exchange transaction of the Sorin and Cyberonics Mergers with and into the Company. During the year ended 31 December 2016, the Company capitalised $2,583.1 million of the reserves in order to create distributable reserves in the accounts the Company. Additionally, on 6 August 2021, the Company closed an offering and issued 4,181,818 ordinary shares, par value £1.00 per share, at an offering price of $82.50 per share. Net proceeds from the offering were approximately $322.5 million, after deducting underwriting discounts, commissions and offering expenses, of which $316.7 million was recognised as merger relief reserve. The reserves may be used for any corporate purpose of the Company for which realized profits are required.

Accumulated Other Comprehensive Income (Loss)

The table below presents the change in each component of AOCI, net of tax and the reclassifications out of AOCI into net earnings:

(in thousands)	Change in unrealised (loss) gain on derivatives	Foreign currency translation adjustments	Revaluation of net (asset) liability for defined benefits	Total
Ending Balance - 31 December 2019	$ (86)	$ 5,640	$ (31)	$ 5,523
Reclassification of gain (loss) from accumulated other comprehensive income, before tax	-	43,267	(4)	43,263
Tax effect	-	-	-	-
Reclassification of gain (loss) from accumulated other comprehensive income, after tax	-	43,267	(4)	43,263

(in thousands)	Change in unrealised (loss) gain on derivatives	Foreign currency translation adjustments	Revaluation of net (asset) liability for defined benefits	Total
Reclassification of gain from accumulated other comprehensive income, before tax	113	-	-	113
Tax effect	(27)	-	-	(27)
Reclassification of gain from accumulated other comprehensive income, after tax	86	-	-	86
Net other comprehensive income (loss), net of tax	86	43,267	(4)	43,349
Ending Balance - 31 December 2020	-	48,907	(35)	48,872
Reclassification of (loss) gain from accumulated other comprehensive income, before tax	-	(38,615)	5	(38,610)
Tax effect	-	-	-	-
Reclassification of (loss) gain from accumulated other comprehensive income, after tax	-	(38,615)	5	(38,610)
Net other comprehensive (loss) income, net of tax	-	(38,615)	5	(38,610)
Ending Balance - 31 December 2021	$ -	$ 10,292	$ (30)	$ 10,262

Note 10. Financial Liabilities

The outstanding principal amount of long-term debt consisted of the following (in thousands, except interest rates):

	31 December 2021	31 December 2020
Notes payable to LivaNova subsidiaries[l] [2]	$ 509,849	$ 595,077
Total long-term facilities	509,849	595,077
Less current portion of long-term debt	-	-
Total long-term debt	$ 509,849	$ 595,077

[1] On 15 October 2020, LivaNova PLC entered into a $509.8 million Promissory Note with LivaNova USA, Inc. at 4.75% fixed interest rate per annum with accrued interest and principal due 14 October 2030. This note was subsequently assigned to LivaNova Hungary Limited Liability Company.

[2] On 3 July 2020 LivaNova PLC entered into a $85.3 million Promissory Note with LIVN UK Holdco Limited at 0.56% fixed interest rate per annum with accrued interest and principal due 30 September 2025. This note was subsequently assigned to LIVN US 3, LLC and repaid in 2021.

The outstanding principal amount of current debt consisted of the following (in thousands):

	31 December 2021	31 December 2020
Due to LivaNova subsidiaries[1]	$ 302,686	$ 299,192
Short-term facilities	82	21
Total short-term facilities	302,768	299,213
Current portion of long-term debt	-	-
Total current debt	$ 302,768	$ 299,213

[1] LivaNova PLC, in the management of LivaNova centralized treasury and acting as in-house bank of the Group, holds cash on deposit from subsidiaries. Interest accrues and is paid quarterly on balances at LIBOR less 0.5%.

Finance expense.

Finance expense of $25.8 million and $15.0 million for the years ended 31 December 2021 and 31 December 2020, respectively, consisted primarily of interest on our debt facilities. Refer to the Company statement of (loss) income. Finance expense associated with subsidiary debt amounted to $25.4 million and $6.9 million for the years ended 31 December 2021 and 31 December 2020, respectively.

Note 11. Leases

We have leases primarily for (i) real estate, including office space and manufacturing, warehouse and research and development facilities and (ii) vehicles. Our leases have remaining lease terms up to 4 years, some of which include options to extend the leases, and some of which include options to terminate the leases at our sole discretion.

Right-of-Use Assets and Lease Liabilities

The movement in the ROU assets and lease liabilities since adoption by class of assets is as follows (in thousands):

	Real Estate	Vehicles	Right-of-Use Assets	Lease Liabilities
Balance as of 31 December 2019	$ 6,133	$ 169	$ 6,302	$ 6,183
Additions	1,329	165	1,494	1,494
Depreciation expense	(1,886)	(88)	(1,974)	-
Finance expense	-	-	-	119
Lease payments	-	-	-	(1,978)
Currency translation adjustments	172	7	179	301
Balance as of 31 December 2020	5,748	253	6,001	6,119
Additions	-	25	25	25
Depreciation expense	(3,187)	(65)	(3,252)	-
Disposals	-	(100)	(100)	(98)
Finance expense	-	-	-	97
Lease payments	-	-	-	(1,800)

	Real Estate	Vehicles	Right-of-Use Assets	Lease Liabilities
Currency translation adjustments	(161)	(15)	(176)	(169)
Balance as of 31 December 2021	$ 2,400	$ 98	$ 2,498	$ 4,174

Contractual maturities of our lease liabilities as of 31 December 2021 are as follows (in thousands):

2022	$ 1,489
2023	920
2024	1,110
2025	640
2026	187
Thereafter	-
Total lease payments	4,346
Less: Amount representing finance charges	(172)
Net present value of lease liabilities	$ 4,174

Contractual maturities of our lease liabilities as of 31 December 2020 are as follows (in thousands):

2021	$ 2,114
2022	1,401
2023	969
2024	1,150
2025	632
Thereafter	190
Total lease payments	6,456
Less: Amount representing finance charges	(337)
Net present value of lease liabilities	$ 6,119

Lease Payments not Recognised as a Liability

We have elected not to recognise a lease liability for short- term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred. Expenses recognised during 2021 relating to payments not included in the measurement of lease liabilities is as follows (in thousands):

Short-term leases	$ 28
Lease of low value	-
Variable lease payments	63
	$ 91

Expenses recognised during 2020 relating to payments not included in the measurement of lease liabilities is as follows (in thousands):

Short-term leases	$ 53
Lease of low value	32
Variable lease payments	69
	$ 154

Lease payments of approximately $1.8 million were made during the year ended 31 December 2021 in connection with lease agreements of which $1.7 million represents the principal portion classified in financing activities and $0.1 million for interest classified in operating activities.

Lease payments of approximately $2.0 million were made during the year ended 31 December 2020 in connection with lease agreements of which $1.9 million represents the principal portion classified in financing activities and $0.1 million for interest classified in operating activities.

Note 12. Other Payables

(in thousands)	31 December 2021	31 December 2020
Accrued expenses- employee-related charges	$ 8,159	$ 1,724
Other accrued expenses	4,073	3,753
Other current liabilities with subsidiaries	2,236	2,303
Amount payable to Gyrus Capital S.A.(1)	7,105	-
Other liabilities	1,141	1,798
Other amounts due to health and social security institution	516	674
Amounts due to employees	378	572
Total	$ 23,608	$ 10,824

(1) The amount payable to Gyrus Capital S.A. as of 31 December 2021 primarily represents the purchase price adjustment liability from the sale of our Heart Valves business. For additional information refer to “Note 7. Divestiture of Heart Valve Business” in the Consolidated Group financial statements in this 2021 Annual Report.

Note 13. Share-Based Incentive Plans

Share-Based Incentive Plans

On 16 October 2015, we approved the adoption of the Company’s 2015 Plan, which was previously approved by the Board of the Company on 14 September 2015 subject to such shareholder approval. The 2015 Plan was adopted in order to facilitate the grant of cash and equity incentives to non-employee directors and employees (including our named executive officers) of the Company and certain of our affiliates and to enable the Company and certain of our affiliates to obtain and retain services of these individuals. The Plan became effective as of 19 October 2015. Stock-based awards may be granted under the 2015 Plan in the form of stock options, SARs, RS, RSUs and other stock-based awards. As of 31 December 2021, there were approximately 3,098,419 shares available for future grants under the 2015 Plan.

Share Options and Share Appreciation Rights

	Year Ended 31 December			
	2021		2020	
Options and SARs	Number of Optioned Shares	Wtd. Avg. Exercise Price	Number of Optioned Shares	Wtd. Avg. Exercise Price
Exercised	59,501	$ 54.79	5,552	$ 49.38
Outstanding - end of year	756,142	$ 61.97	807,630	$ 61.23

The weighted average remaining contractual life for the share options and SARs outstanding at 31 December 2021 and 31 December 2020 was 6.4 years and 7.0 years, respectively.

The aggregate intrinsic value of the options and SARs outstanding at 31 December 2021 and 31 December 2020 was $20.2 million and $10.4 million. respectively. The aggregate intrinsic value of options and SARs is based on the fair market value of the underlying share at the end of the year using the difference between the market closing share price, and exercise price for in-the-money awards.

The range of exercise prices for options and SARs outstanding at year end are categorised in exercise price ranges as follows:

Outstanding Options	31 December 2021	31 December 2020
$41-50	325,080	383,638
$51-60	138,566	176,337
$61-70	-	7,653
$71-80	114,787	11,050
$81-90	91,344	107,552
$91-100	85,374	118,129
$ 101-110	500	2,295
$121-130	491	976
Total	756,142	807,630

Restricted Share and Restricted Share Units Awards

The following tables detail the activity for service-based restricted share and restricted share unit awards:

	Year Ended 31 December			
	2021		2020	
	Number of Shares	Wtd. Avg. Grant Date Fair Value	Number of Shares	Wtd. Avg. Grant Date Fair Value
Non-vested at end of year	175,304	$ 64.96	222,527	$ 55.46

	Year Ended 31 December	
(in thousands)	2021	2020
Aggregate fair value of service-based share grants that vested during the year (in thousands)	$ 5,787	$ 5,878

Market and Performance-Based Restricted Share and Performance-Based Restricted Share Units Awards

The following tables detail the activity for performance-based and market-based restricted share and restricted share unit awards:

	Year Ended 31 December			
	2021		2020	
	Number of Shares	Wtd. Avg. Grant Date Fair Value	Number of Shares	Wtd. Avg. Grant Date Fair Value
Non-vested at end of year	245,457	$ 67.64	275,841	$ 54.16

	Year Ended 31 December	
(in thousands)	2021	2020
Aggregate fair value of performance-based share grants that vested during the year	$ 5,009	$ 886

Note 14. Income Tax Benefit

Income tax (expense) benefit consists of the following:

	Year Ended 31 December	
(in thousands)	2021	2020
Current tax		
United Kingdom	$ 3,215	$ (881)
Non-United Kingdom	(2)	(740)
	3,213	(1,621)
Deferred tax		
United Kingdom	26,459	19,142
Non-United Kingdom	-	260
	26,459	19,402
	$ 29,672	$ 17,781

The following is a reconciliation of the statutory income tax rate to our effective income tax rate expressed as a percentage of income before income tax benefit:

	Year Ended 31 December	
	2021	2020
Statutory tax rate at UK rate	19.0 %	19.0 %
Change in tax rate(1)	32.9	1.7
Permanent differences	(3.2)	(0.3)
Distribution of subsidiary earnings	9.1	5.9
Tax on UK CFC interest	0.2	0.1
Impairment	-	(9.3)
Reserves for credit losses	-	(7.1)
Equity compensation	4.8	-
Change in deferred tax valuation allowance	(9.2)	-
Other, net	(6.2)	1.7
Effective tax rate	47.4 %	11.7 %

(1) The change in tax rate for 2021 was primarily due to NOLs generated during 2021 net of group relief being remeasured to a tax rate 19% and revaluation of deferred tax assets at 25% for change in law, and decreasing the tax benefit by non-taxable and non-deductible items corresponding to disposition of investment losses and dividends.

Deferred income tax assets and liabilities are summarised as follows:

		Activity During the Year Ended 31 December 2021			
(in thousands)	31 December 2021	Company Statement of (Loss) Income	Tax Rate Change(1)	Shareholders' Equity	31 December 2020
Net operating loss carryforwards	$ 58,333	$ 9,443	$ 13,480	$ -	$ 35,410
Accruals and reserves	66	-	-	-	66
Share-based compensation	8,497	(1,428)	137	5,086	4,702
Lease assets and other	10,540	1,995	2,323	1,044	5,178
Total deferred tax assets	77,436	10,010	15,940	6,130	45,356
Lease liabilities and other	113	(772)	263	(554)	1,176
Total deferred tax liabilities	113	(772)	263	(554)	1,176
Total deferred tax assets, net	$ 77,323	$ 10,782	$ 15,677	$ 6,684	$ 44,180

(1) UK received royal assent in July 2021, and provided for the UK tax rate to increase to 25%, effective 1 April 2023, there was a revaluation to increase deferred taxes in 2021.

		Activity During the Year Ended 31 December 2020			
(in thousands)	31 December 2020	Company Statement of (Loss) Income	Tax Rate Change(1)	Shareholders' Equity	31 December 2019
Net operating loss carryforwards	$ 35,410	$ 12,427	$ 2,401	$ -	$ 20,582
Accruals and reserves	66	7	-	-	59
Share-based compensation	4,702	760	328	(115)	3,729
Lease assets and other	5,178	3,408	87	(27)	1,710
Total deferred tax assets	45,356	16,602	2,816	(142)	26,080
Lease liabilities and other	1,176	(167)	207	(47)	1,183
Total deferred tax liabilities	1,176	(167)	207	(47)	1,183
Total deferred tax assets, net	$ 44,180	$ 16,769	$ 2,609	$ (95)	$ 24,897

(1) In the Spring Budget 2020, the UK Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reduced to 17%, as previously enacted). The new law was substantively enacted on 17 March 2020.

Deferred tax assets have not been recognised with respect of the following items:

(in thousands)	31 December 2021	31 December 2020
Tax loss carryforwards (tax effected)(1)	$ 10,699	$ 8,125

(1) The UK unrecognized deferred tax assets increased by $2.6 million for the revaluation due to the tax rate change to 25% within the UK jurisdiction.

For losses incurred after April 2017 in the UK, the Company anticipates a recoverability of these operating loss carryforwards beginning in 2027 as the Company expects an increase in taxable income due to the full amortisation of certain intangible assets. The Company is relying on estimated future income projections and judgement on the growth of the projected income for the recoverability of the deferred tax assets corresponding the NOLs. The Company estimates it will be able to recover its tax loss in less than 12 years through UK Group relief, as the UK Group will realize substantially an increase of taxable income as a result of increased revenues from royalty income and decreased amortisation of intangible assets beginning in 2027.

Note 15. Commitments and Contingencies

Refer to “Note 25. Commitments and Contingencies” of the LivaNova consolidated financial statements in this UK Annual Report.

Note 16. Related Parties

Interests in subsidiaries are set out in “Note 5. Investments in Subsidiaries.” Receivables from subsidiaries are set out in “Note 6. Financial Assets.” Trade receivables due from LivaNova subsidiaries are set out in “Note 7. Trade and Other Receivables and Expected Credit Loss Provision.” Other assets on the Company balance sheet represent long-term receivables from subsidiaries associated with the Company’s share-based incentive plans. Notes payable to LivaNova subsidiaries are set out in “Note 10. Financial Liabilities.” Other current liabilities with subsidiaries are set out in “Note 12. Other Payables.” Refer to the consolidated financial statements “Note 28.

Related Parties" for key management personnel and related parties. Refer to consolidated financial statements "Note 12. Financial Assets" for related party financial assets.

Note 17. Company Statement of (Loss) Income - Expenses by Nature

	Year Ended 31 December	
(in thousands)	2021	2020
Revenue	$ 27,663	$ 34,909
Cost of materials and services used	(52,661)	(55,486)
Personnel expense	(46,014)	(34,221)
Expected credit loss provision[1]	-	(56,530)
Impairments of investments[2]	-	(73,793)
Amortisation and depreciation	(3,772)	(3,733)
Impairment of intangible assets[3]	-	(6,745)
Operating loss	(74,784)	(195,599)
Finance expense	(25,819)	(15,042)
Income from subsidiary undertakings	47,722	47,606
Finance income	6,109	8,419
Losses on disposal of investments, net	(13,963)	(609)
Foreign exchange and other gains/(losses)	(1,918)	3,067
Loss before taxes	(62,653)	(152,158)
Income tax benefit	29,672	17,781
Loss for the financial year	$ (32,981)	$ (134,377)

(1) During 2020, we recorded an expected credit loss provision of $56.5 million to the promissory note receivable from LivaNova Canada Corp. refer to "Note 6. Financial Assets" for further information.
(2) During 2020, we impaired our investment in LivaNova Canada Corp. by $73.8 million, refer to "Note 5. Investments in Subsidiaries" for further information.
(3) For information related to the impairment of intangible assets refer to "Note 10. Goodwill and Intangible Assets" in the consolidated financial statements.

Note 18. Employee and Key Management Compensation Costs

Details of directors' remuneration are included in the Directors' Remuneration Report on pages 49 to 73, which forms part of these financial statements.

	Year Ended 31 December	
(in thousands)	2021	2020
Wages and salaries	$ 21,047	$ 14,919
Share-based payments	13,076	9,197
Other employee costs	11,891	10,105
	$ 46,014	$ 34,221

Employee numbers

The average monthly employee numbers on a full-time equivalent basis, including executive directors were 83 and 92 for the years ended 31 December 2021 and 31 December 2020. Our employees are principally engaged in Corporate activities.

Note 19. Exceptional Items

The following exceptional items are included within operating loss (in thousands):

	Year Ended 31 December	
(in thousands)	2021	2020
Restructuring expenses	$ 4,744	$ 1,197
Merger and integration expenses	467	2,419
Impairment of long-lived assets	-	6,745
Investment write-down	-	73,793
Expected credit loss provision	-	56,530
	$ 5,211	$ 140,684

Expected credit loss provision.

During 2020, we recorded an expected credit loss provision of $56.5 million to the promissory note receivable from LivaNova Canada Corp., refer to "Note 6. Financial Assets" for further information.

Investment write-down.

During 2020, we impaired our investment in LivaNova Canada Corp. by $73.8 million based upon the current indication of fair value as of 31 December 2020, which is shown in the table above and included in exceptional items in the Company statement of (loss) income.

Impairment of long-lived assets.

Refer to "Note 10. Goodwill and Intangible Assets" in the consolidated financial statement for an explanation of the impairments.

Merger and integration Expenses.

Merger and integration expenses consist of costs associated with our Merger and business combinations. Such costs primarily include computer systems integration efforts, organizational structure integration, synergy and tax planning. LivaNova expects these costs to continue to decline further over time.

Restructuring Expenses.

We have initiated several restructuring plans to leverage economies of scale, streamline distribution and logistics and strengthen operational and administrative effectiveness in order to reduce overall costs. We identify costs incurred and liabilities assumed for the restructuring plans. Refer to "Note 8. Restructuring" of the LivaNova consolidated financial statements in this UK Annual Report for more details.

Note 20. Auditors' Remuneration

	Year Ended 31 December	
(in thousands)	2021	2020
Fees payable to the Company's Auditors and its associates for the audit of parent company financial statements	$ 76	$ 80

Note 21. Subsequent Events

Refer to "Note 34. Subsequent Events" to the Consolidated Group financial statements in this 2021 Annual Report.

GLOSSARY AND DEFINITIONS

The following definitions apply throughout this UK Annual Report (other than in the Financial Statements) unless the context requires otherwise:

ACS	Advanced Circulatory Support
AGM	Annual General Meeting
Anti-Kickback Statute	the U.S. federal Anti-Kickback Statute
AOCI	Accumulated Other Compensation Income
ASMS	Anti-seizure medications
Assessment	E&I Risk Assessment
Articles	Company's Articles of Association
Auditor	PricewaterhouseCoopers LLP, the Company's independent UK statutory auditor
Audit Committee	Audit and Compliance Committee
Award Value	the equity award value
Board	LivaNova PLC's Board of Directors
BPF	Business Performance Factor
Brexit	the UK government's process to withdraw from the EU
business unit	LivaNova's three principal business units, Advanced Circulatory Support, Neuromodulation and Cardiopulmonary
Caisson	Caisson Interventional, LLC.
CARES Act	Coronavirus Aid, Relief and Economic Security Act
CCPA	California Consumer Privacy Act
CDC	Centers for Diseases Control and Prevention
CECs	Comprehensive Epilepsy Centers
CED	Coverage with evidence development
CEO	Chief Executive Officer
CE Mark	certification demonstrating minimum standards of performance, safety and quality (i.e., the essential requirements) set out in the EU Medical Devices Directives (Council Directive 93/42/EEC on Medical Devices and Council Directive 90/385/EEC on Active Implantable Medical Devices)
CFC	the UK's Controlled Foreign Company
CFO	Chief Financial Officer
CGUs	Cash Generating Units
CISO	Chief Information Security Officer
closing price	the most recent closing price of an ordinary share of our stock on the Nasdaq as of the grant date
CMS	the U.S. Centers for Medicare and Medicaid Services
CODM	the Chief Operating Decision Maker
Compensation Committee	Company's Compensation Committee
Company	LivaNova PLC, a company incorporated in England and Wales
Companies Act 2006	the Companies Act 2006 of England and Wales
COSO	the Committee of Sponsoring Organizations of the Treadway Commission
CPAP	Continuous positive airway pressure
CRM	Cardiac Rhythm Management business
Cyberonics	Cyberonics, Inc., a Delaware corporation, including (whether the context requires) its subsidiaries and subsidiary undertakings
Cyberonics merger	the merger of Merger Sub with and into Cyberonics, with Cyberonics continuing as the surviving company and a wholly owned subsidiary of the Company
DEFRA	UK Department for Environment, Food and Rural Affairs
DIB	Diversity Inclusion and Belonging
Director(s)	A member of the LivaNova Board of Directors
DRE	Drug-resistant epilepsy

D.S.O	Days of Sales Outstanding
DTC	Depository Trust & Clearing Corporation
DTD	Difficult-to-Treat Depression
€	the Euro
EBT	Employee Benefit Trust
EC	the European Commission
ECMO	Extracorporeal membrane oxygenation
eGRID	U.S. Emissions & Generation Resource Integrated Database
E&I	Ethics & Integrity
EIR	Effective Interest Rate
ELT	Executive Leadership Team
EPA	the U.S. Environmental Protection Agency
EPS	Earnings Per Share
ESG	Environmental, Social and Governance
ESG Task Force	a cross-functional team of leaders focused on establishing a comprehensive program optimizing our environmental, social and governance efforts
ESOS	the UK Energy Savings Opportunity Scheme
ESPP	Employee Share Purchase Program
EU	the European Union
EUR	Euro
False Claims Act	the U.S. Federal False Claims Act
FCF	Free Cash Flow
FCPA	the U.S. Foreign Corrupt Practices Act of 1977
FDA	U.S. Food and Drug Administration
FIFO	First-In First-Out
FX	Foreign Exchange
GBP	British Pound Sterling
£	British Pound Sterling
GDPR	General Data Protection Regulation
GHG	Greenhouse Gas
GROUP	LivaNova PLC, a company incorporated in England and Wales
HAN	Health Advisory Notice
HCP	Healthcare Provider
Highlife	Highlife S.A.S.
HIPAA	the U.S. Health Insurance Portability and Accountability Act of 1996
HITECH	the U.S. Health Information Technology and Clinical Health Act
HLM	Heart-Lung Machine
HV Purchase Agreement	Purchase Agreement, as amended, with Mitral Holdco S.à r.l., controlled by funds advised by Gyrus Capital S.A., a Swiss private equity firm, provides for the divestiture of LivaNova's Heart Valve business
IDE	Investigational Device Exemption
IEA	International Energy Agency
IFRS	International Financial Reporting Standards, as adopted by the EU
ImThera	ImThera Medical, Inc.
IPR&D	In process research and development
IRC	the U.S. Internal Revenue Code
IRS	the U.S. Internal Revenue Service
ISA(UK)	International Standards on Auditing (UK)
ISDA	International Swaps and Derivatives Association, Inc.
ISO	the International Standards Organisation
ISMS	Information Security Management System
KPI	Key Performance Indicator
LBS	LivaNova Business System
LIFE	LivaNova International Fellowship (LIFE) Corporate Social Initiative Program
LivaNova	the Company and its subsidiaries and subsidiary undertakings, including (where the context so requires) Cyberonics and Sorin prior to the Mergers becoming effective
LSE	the London Stock Exchange plc
LSM	LivaNova Site Management S.r.l.
LTIP	Long Term Incentive Plan

LWN	LivaNova Women’s Network
MDD	Medical Device Directive
Medical Devices Regulation	proposals for the revision of the EU regulatory framework for medical devices which could replace the Medical Devices Directive and the Active Implantable Medical Devices Directive
Merger	the business combination of Cyberonics and Sorin
MRI	Magnetic Resonance Imaging
MMWR	Morbidity and Mortality Weekly Report
Nasdaq	the Nasdaq Global Market
NCD	CMS non-coverage determination
NCG	Nominating and Corporate Governance Committee
NEOs	Non-executive Officers
NIST	National Institute of Standards and Technology
NOLs	the Net Operating Losses
NQDCP	Non-qualified deferred compensation plan
NTM	NonTuberculous Mycobacterium
OCI	Other Comprehensive Income
Ordinary Shares	Ordinary Shares of £1.00 each in the capital of the Company
OSA	Obstructive Sleep Apnea
our	LivaNova Plc collectively with its subsidiaries
PAL	the Pharmaceutical Affairs Law of Japan
Pearl Meyer	Pearl Meyer & Partners, LLC, an independent compensation consultant with an international scope
PMA	Pre-Market Approval
PP&E	Property, Plan & Equipment
PRT	Phospholipid Reduction Treatment
PSA	Pay-as-you-earn settlement agreement
PSU	Performance Stock Units
QSR	the U.S. FDA’s Quality System Regulation under section 520 of the U.S. FDCA
REACH	European Union Registration, Evaluation, Authorisation and Restriction of Chemicals
Reg MDR	Medical Device Regulation
REIGs	Regional/Functional E&I Working Groups
Restructuring Plan	any of the restructuring plans initiated by LivaNova after consummation of the Mergers in October 2015
RCT	Randomized, placebo controlled trial
R&D	Research and Development
ROIC	return on investment capital
ROU	right-of-use
RSUs	Restricted Stock Units;
rTSR	relative Total Shareholder Return
SARs	Stock Appreciation Rights
SDRT	the UK stamp duty reserve tax
SEC	the U.S. Securities and Exchange Commission
Section 16 Officers	officers and directors covered by Section 16 of the U.S. Securities Exchange Act of 1934, as amended
SECR	Streamlined Energy and Carbon Reporting
SG&A	Selling, General and Administrative
shares	LivaNova's Ordinary Shares of £ 1 per share
SMART	Specific, Measurable, Achievable, Relevant and Time-Bound goals and targets
Sorin	Sorin S.p.A., a joint stock company organised under the laws of Italy, including (where the context so requires), its subsidiaries and subsidiary undertakings
Sorin merger	the merger of Sorin with and into the Company, with the Company continuing as the surviving company
SPIs	Strategic portfolio initiatives
STIP	Short Term Incentive Plan
TFR	severance indemnity
the Company	LivaNova Plc collectively with its subsidiaries
the Plans	LivaNova's 2015 and 2016 Reorganization Plans initiated October 2015 and March 2016, respectively, in conjunction with the completion of the Cyberonics and Sorin merger;
the Public Administrations	the Italian Ministry of the Environment and other Italian government agencies

Third Party Code of Conduct	minimum standards LivaNova requires of all LivaNova third parties when doing business with us
TMVR	Transcatheter Mitral Valve Replacement
TSR	Total shareholder return
UK	the United Kingdom
UK Bribery Act	the UK Bribery Act of 2010
UK LTIP	UK long-term incentive awards
UK SIP	UK share incentive plan
U.S	the United States of America
USD	the U.S. dollar
U.S. GAAP	the accounting principles generally accepted in the U.S.
VNS	Vagus Nerve Stimulation
VTAP	VNS Therapy Access Program
WACC	Weighted Average Cost of Capital
we	LivaNova Plc collectively with its subsidiaries
WRI	World Resource Institute
$	U.S. dollars
2015 Plan	the LivaNova PLC 2015 Incentive Award Plan
2019 AGM	LivaNova Annual General Meeting held on 18 June 2019
2020 AGM	LivaNova Annual General Meeting held on 29 June 2020
2021 AGM	LivaNova Annual General Meeting held on 9 June 2021
2022 AGM	LivaNova Annual General Meeting to be held on 13 June 2022
2019 LTIP	2019 Long-Term Incentive Program
2020 LTIP	2020 Long-Term Incentive Program
2021 LTIP	2021 Long-Term Incentive Program
2022 LITP	2022 Long-Term Incentive Program
2022 Plan	LivaNova 2022 Incentive Award Plan
2021 STIP	2021 Short-Term Incentive Program
2019 Policy	Directors’ 2019 Remuneration Policy
2022 Policy	Directors’ 2022 Remuneration Policy
2021 rTSR Peer Group	2021 peer group of companies selected by the Committee’s compensation consultant
2022 rTSR Comparator Group	a group of 29 companies selected by the Compensation Committee’s compensation consultant
3T device	3T Heater-Cooler device