CREO MEDICAL

Anything is possible
with the right approach

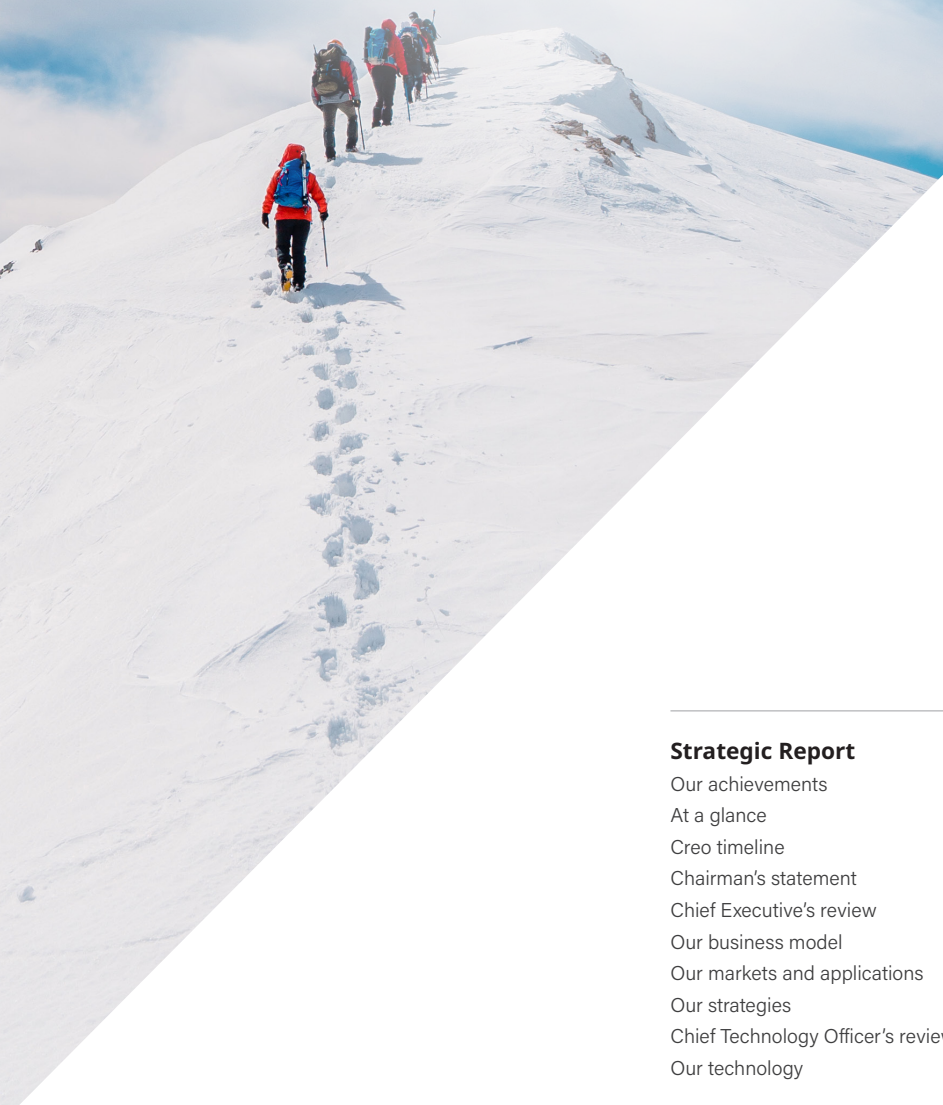
Annual Report & Accounts
2020

Our mission

Creo's mission is to improve patient outcomes by applying advanced energy to the emerging field of surgical endoscopy.

We aim to fulfil our mission through the development and commercialisation of novel, minimally invasive, electrosurgical devices, delivered through Creo's CROMA Advanced Energy Platform, powered by our Kamaptive Technology.

Read more on page 16



Strategic Report

Our achievements

OPERATIONAL HIGHLIGHTS

A transformational year:

- The acquisitions of Albyn Medical and Boucart Medical during 2020 provide Creo with a direct sales presence in key European markets to facilitate the roll-out of Creo's CE marked advanced energy devices, strengthening Creo's commercial team
- Increased ESG focus with a strong COVID-19 response throughout our communities

Significant organic growth:

- The appointment of David Woods as Chief Commercial Officer in August 2020, bringing a wealth of knowledge and experience to the business
- The recruitment of a direct sales team in the USA and APAC providing greater access to these important markets
- Ten-fold increase in the commercial, marketing and distribution resource
- Direct presence across five European countries, four regions of the USA and a centralised hub in the Asia Pacific region
- Increase in headcount from 91 employees in 2019 to 217, from both organic growth and as a result of acquisitions
- Commercialisation agreement with the Department of Health and Social Care signed, providing preferential pricing to NHS hospitals for a limited period

Continued product and regulatory progress through:

- CE marking an additional five devices
- US Food and Drug Administration (FDA) 510(k) clearance for SlypSeal, Creo's haemostasis device
- FDA 510(k) clearance for MicroBlate Fine
- Post period FDA 510(k) clearance for MicroBlate Flex
- The first clinical use of MicroBlate Fine in a successful pancreatic tumour ablation
- Strengthened IP portfolio, with 247 granted patents and 763 pending applications

FINANCIAL HIGHLIGHTS

Revenue increasing to over
£9.4m
(2019: £0.01m)[1]

Operating loss
£23.5m
(2019: £18.9m)[4]

Cash and cash equivalents
£45.1m
(2019: £81.0m)[2]

Underlying operating loss
£18.0m
(2019: £14.0m)[5]

R&D expenditure
£10.2m
(2019: £8.1m)[3]

Net assets
£62.8m
(2019: £82.7m)

Gross Margin
42.8%

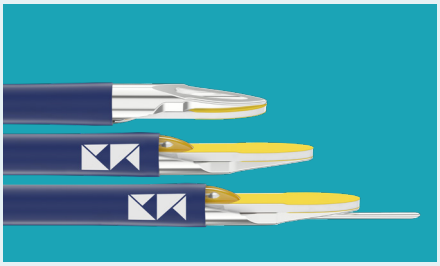
1 Ahead of management expectations.
2 At 31 December 2020, in line with management expectations when taking into account M&A activity throughout the year.
3 To expand the portfolio of products.
4 Including £0.7m share-based payments, in line with management expectations.
5 In line with the anticipated spend profile, mitigated by increased commercial activities and revenue derived from the acquisition of Albyn Medical and Boucart Medical. Further details of which are set out on page 48.

Improving patient outcomes

Our portfolio has expanded during 2020 to include Creo's range of advanced energy endoscopic devices plus Albyn Medical's innovative products for Gastroenterology, Urology/Gynaecology and Hygiene.

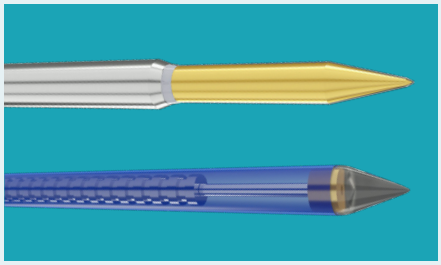
Creo Medical

Powered by Kamaptive Technology



Speedboat Technology

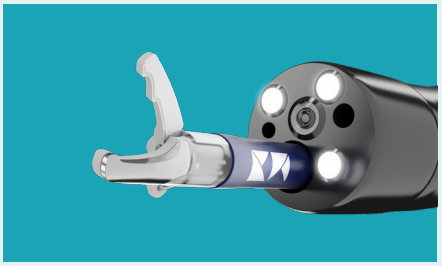
Range of unique bipolar radiofrequency blades with integrated microwave coagulation, which includes the first device launched by Creo, Speedboat Inject.



MicroBlate Technology

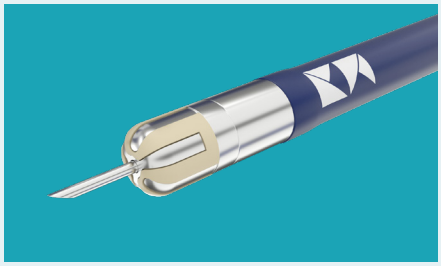
Tissue ablation devices including MicroBlate Fine and MicroBlate Flex.

Each of Creo's devices are enabled by our CROMA Advanced Energy Platform, powered by our Kamaptive Technology.



SpydrBlade Technology

Tissue resection devices combining Speedboat resection capability with precise microwave coagulation.



SlypSeal Technology

Haemostasis devices leveraging Creo's unique 'non-stick' haemostasis technology.

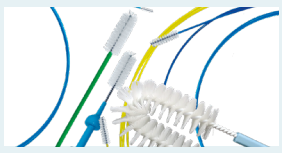
See pages 12 to 15 for more details on our markets and applications.

ALBYN MEDICAL

Albyn Medical specialises in the manufacture and supply of systems and consumables for the Gastroenterology, Urology/Gynaecology, and Hygiene & Cross-contamination markets. Albyn Medical's product range covers diagnostic, therapeutic and hygiene/cross-contamination control. Its own brand of GI products includes a range of biopsy forceps, snares, catheters, tubes and valves, as well as distributing a wide range of diagnostic and therapeutic endoscopy devices. Albyn Medical also has a range of endoscope cleaning, sterilisation, and storage products, as well as endoscopic accessories.

Gastroenterology products

Urology/ Gynaecological products

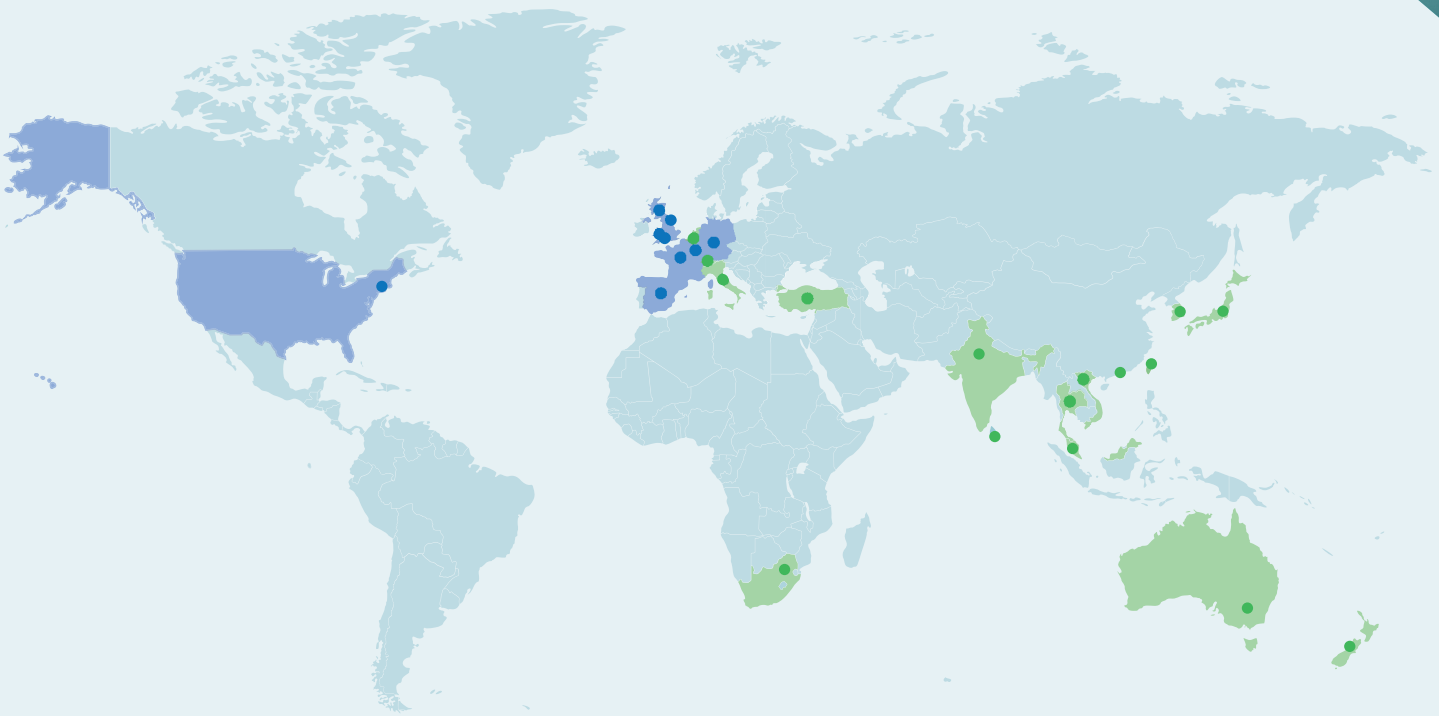


Hygiene & Cross-contamination products

Global map

Our expanding international footprint

- Creo Medical Group
- Distributors*



10 Offices

8 Direct Countries

Over 4,600 Hospital, Doctor & Clinic Customers

217 People

- 11 USA
- 202 EMEA
- 4 APAC

16 Indirect Countries

EMEA & APAC focus

AMERICAS

US HQ with **Direct Sales** in various locations

EMEA

Direct Sales in UK, Germany, Spain, France, Belgium, Luxembourg

Distribution Partners under direct management in Italy, Holland, Switzerland, Turkey & South Africa

APAC

Distribution Partners under direct management in India, Taiwan, Vietnam, Hong Kong, Japan, Thailand, Australia, New Zealand, South Korea, Malaysia, Sri Lanka

* Signed or in advanced negotiation.

Creo timeline

December 2016
Creo Medical is admitted to the AIM market of the London Stock Exchange with £20m raised through share placings

March 2017
CE Mark gained for Speedboat Inject and Creo's CROMA Advanced Energy Platform

June 2017
First patient treated with Speedboat Inject

August 2017
FDA clearance gained for Speedboat Inject and CROMA Advanced Energy Platform

Our journey to commercialisation

Since our admission to the London Stock Exchange in 2016, we have made steady progress toward bringing our technology to market and into clinical use.

July 2018
£48.5m raised through share placings to accelerate commercialisation

June 2019
First commercial order for Speedboat Inject

December 2019
£51.9m raised through share placings to accelerate US programme, develop R&D and undertake M&A

June 2020
CE Mark for five new devices

May 2020
Commercialisation agreement with NHS gives UK hospitals access to devices at preferential rates

March 2020
FDA clearance gained for SlypSeal Flex

July 2020
Acquisition of Albyn Medical

November 2020
Acquisition of Boucart Medical

November 2020
FDA clearance for MicroBlate Fine

December 2020
First clinical use of MicroBlate Fine

January 2021
FDA clearance for MicroBlate Flex

An extraordinary year for Creo Medical

"Refocusing our resources has allowed us to build an international commercial platform."

Charles Spicer
Chairman

Overview

As for many businesses, families and individuals across the globe, 2020 was an extraordinary year for Creo. The Board is full of admiration for how effectively our senior management team and staff rose to the challenges presented by COVID-19 and navigated the Company through the year, achieving significant regulatory and commercial progress.

While the excitement around the clinical results being achieved remains high in each of our key markets, as expected, the various lockdowns and other national and international restrictions, impacted the ability for Creo's products to be commercially adopted. The senior management team wisely refocused resources to build an international commercial platform and, in parallel with our R&D and engineering teams, continued to develop our technology and intellectual property faster and further than planned. Consequently, we achieved better than expected progress in developing new products, filing intellectual property, and have secured regulatory clearances in Europe and the USA.

In July, we announced the transformational acquisition of Albyn Medical, the first and largest of the two acquisitions executed during the period. Completing cross-border acquisitions of businesses based in Europe against the headwinds of both COVID-19 and Brexit presented a set of challenges which the Executive Directors and wider team rose admirably to. In November, we also acquired Boucart Medical to further strengthen Albyn's European platform. We welcome both the Albyn and Boucart teams into the Group and thank them for their hard work and flexibility in integrating the businesses so quickly. Albyn exceeded our expectations in its first five months as part of the Group and the Directors are very positive about its ongoing contribution to the enlarged business.

Management and staff

In 2020, Creo's executive team and staff have continued to evolve and expand and this positions us very favourably for the years ahead. David Woods was appointed Chief Commercial Officer in August and has quickly recruited an experienced international team to support him in the US and APAC. David was, of course, already part of the Creo family, having served as a Non-Executive Director of the Group since the IPO. He now takes on a vital executive role in building out our global commercial platform and we are very pleased to welcome him and his new colleagues onto the executive team.

Central to the seamless integration into Creo of Albyn has been the addition of its CEO Luis Collantes to the Group's senior management team. Supported by his team, Luis has made an immediate and positive contribution to Creo so we are similarly delighted to welcome them into the Group.

Last year we reported that our staff had trebled since the IPO and with two acquisitions, by the end of the 2020, the Group employed 217 staff based in eight countries; this represents a roughly eightfold increase in our overall headcount since our admission to AIM in 2016. The Creo team now includes first class talent from a wide range of nationalities, technical skill sets and professional backgrounds. The Board would like to express its thanks and admiration for all they have achieved during this year and the energy, good humour, and resourcefulness with which they have addressed the added challenges presented by the pandemic.

Shareholders
Creo has a supportive shareholder base of which we are highly appreciative. With their support, and having completed our equity raise in December 2019, we entered 2020 with a strong balance sheet. This gave us a solid platform on which to grow during what proved, for everyone, a turbulent year. We continue to maintain frequent communications with our shareholders and remain very grateful for their enthusiasm, support and understanding.

ESG
This year, in line with evolving best practice, for the first time we include an ESG report on pages 38 to 43, which we hope shareholders will find informative especially around the shared response to the pandemic. Creo has always recognised its wider responsibilities and has prioritised the communities it serves, most obviously our patients and their families, the clinicians that treat and care for them, but also our staff and their families and the local communities in which we employ them.

Outlook
Against the backdrop of the pandemic we made impressive progress in 2020 targeting internal development and expansion to provide strong foundations upon which to build in the future. We have a solid book of clinicians waiting to be trained and are strongly placed to support healthcare systems clearing patient screening and treatment backlogs built up through the pandemic. This, combined with the commercial progress we expect to make with our expanded core portfolio as restrictions on hospital access ease, give us confidence for 2021 and beyond and so we remain excited by what the future holds for Creo and its shareholders.

2
Acquisitions

217
Staff

11
Staff recruited in the US

A transformational year

"Focus on what you can achieve, and not on what you can't achieve."

Craig Gulliford
Chief Executive Officer

I am proud of the progress we have made in delivering against our strategy during 2020. COVID-19 caused a huge upheaval in our industry, demanding that clinical resource be reassigned to assist on the front line. At the start of the pandemic I asked the Creo team to "focus on what you can achieve, and not on what you can't achieve". I believe that they did just that and, in doing so, it has enabled Creo to take great strides forward so I thank each and every colleague for playing their part in our achievements during the year.

Having started the year with only one CE marked device we have successfully cleared five additional advanced energy devices through the CE mark process and gained FDA 501(k) clearance for three devices. Furthermore, we have completed two transformational acquisitions which are delivering meaningful revenue to the business and we have exceeded our objectives in expanding our sales team globally.

Like all businesses we have been impacted by COVID-19, but we are resourceful and have used the period to adapt and grow. We rapidly adjusted our day-to-day operations to ensure employee safety, supporting our community by being able to source ventilators for NHS hospitals, donating bikes for medical staff and acquiring 3D printers to allow Creo employees to manufacture PPE from home, in local schools and in small businesses. Our ESG report on pages 38 to 43 provides more detail on Creo's COVID-19 response.

We have organically grown our commercial team in 2020. David Woods, previously a Non-Executive Director of Creo and former President and CEO of PENTAX Americas, joined Creo full-time as Chief Commercial Officer. Since joining the executive team, David has built an experienced team in the US and APAC providing the Company with greater access to these important markets. This additional strength, together with the acquisitions of Albyn Medical and Boucart Medical, have resulted in a tenfold increase in Creo's commercial, marketing and distribution resource so, importantly, we now have an established commercial and distribution platform to accelerate our growth.

Building momentum

We have made strong progress against our build, buy and partner strategy. Pages 16 and 32 to 37 provide more detail on this strategy.

Build

We have significantly strengthened our product portfolio during the year having CE marked five new devices across our four technology platforms: Speedboat, SlypSeal, SpydrBlade and MicroBlate. Despite the disruption caused by COVID-19, we were also pleased to also receive FDA 510(k) clearance for SlypSeal Flex and MicroBlate Fine. After the year end, MicroBlate Flex was our fourth product to receive FDA 510(k) clearance.

We have continued to receive commercial orders for Speedboat Inject from the UK, US, South Africa and Australia where the initial focus is on establishing clinical education centres.

Perhaps even more satisfying for the whole team was the first clinical use of MicroBlate Fine to successfully treat a number of patients with pancreatic tumours in early December 2020, with no adverse events reported to date.

Buy

The acquisition of Albyn Medical in July 2020 brought breadth and depth to Creo within Europe, accelerating our commercial progress there. Albyn is a European specialist in the supply and manufacture of Gastroenterology, Urology and Endoscopy products to healthcare providers in Spain, France, Germany and the UK. With a well established sales and marketing team, this acquisition gives us an enhanced commercial and distribution platform, providing a direct route to market for our products. Albyn's product range is highly complementary to Creo's and also brings with it the opportunity to broaden into the pulmonary and urology markets. On pages 34 to 35 of this report, Luis Collantes, CEO Of Albyn Medical, explains more about Albyn. We were delighted to welcome Luis to Creo's senior management team and the enlarged Group is already benefitting from his significant experience and market expertise.

In November 2020, we further enhanced our European commercial platform and direct European coverage through the acquisition of Boucart Medical, the largest independent supplier of gastrointestinal (GI) endoscopy consumables in Belgium and Luxembourg.

Craig Gulliford meeting with the Welsh Secretary Simon Hart in July 2020 to discuss Creo's technology, the suite of advanced energy devices and Creo's potential to improve lives.

Partner

As we look forward to 2021, we are focused on delivering clinical outcomes for all of our current devices. In addition, we see further opportunities to exploit the potential of Kamaptive, the advanced energy technology that powers our devices, in the adjacent fields of laparoscopic and robotic assisted surgery. We intend to address these markets through building partnerships and, where appropriate, licensing our Kamaptive Technology for use with third-party solutions.

The journey to commercialisation

The delivery of our first significant revenues marked a further milestone on our journey to commercialisation. Whilst the £9 million of revenue generated in 2020 was largely from our recent acquisitions, the expansion of our global commercial team and imminent product launches, puts us in a strong position to build on this and enhance the value of the businesses that we have acquired.

People

In addition to David Woods and Luis Collantes joining our senior management team, we welcomed 95 new employees into the Creo family through the Albyn and Boucart acquisitions. Combined with the organic growth in our engineering talent, the Company exited the year with 217 employees strong. Maintaining and nurturing our culture across this fast-growing organisation has been a priority, along with careful integration of the newly acquired businesses.

Against the backdrop of an uncertain world, the commitment and dedication of all our staff has been impressive. I would like to thank them all for the resilience and pragmatism they have shown in tackling the challenges COVID-19 has presented.

COVID-19 reflection

It would be remiss of me to not take a moment to reflect on COVID-19 and the impact it has had on us all. Creo started 2020 with a strong balance sheet having closed a funding round at the end of December 2019 and looking forward to the challenges that lay ahead. Little did any of us realise that we would be facing a global pandemic on a scale not seen for over a century.

In line with UK Government guidance, in March 2020 I instructed the Creo team to work from home where possible and to stay safe. The resilience that we have built into the Creo team proved invaluable, with everyone pulling their weight and more, to ensure that the business could respond appropriately to the pandemic whilst continuing to deliver against Creo's goals and objectives.

Within this Annual Report we have set out examples of how Creo played its part in the COVID-19 response, not just within Creo but with the wider community. I am extremely proud of the response that we have been able to coordinate.

Whilst we have had cases of COVID-19 within the team, we have been lucky to have no fatalities. This being said, I am aware that within our network of friends, family and business associates there are those who have suffered; our thoughts remain with them.

Looking forward

2020 has been a transformational year for the Company. The reduction in elective surgery and redeployment of medical staff in response to COVID-19 has inevitably delayed Creo's short-term commercialisation activities. However the significant backlog in surgery and procedures that have resulted as a consequence of the pandemic will require faster, more efficient healthcare solutions and the solutions available through Creo's technology and devices have never been more relevant than now.

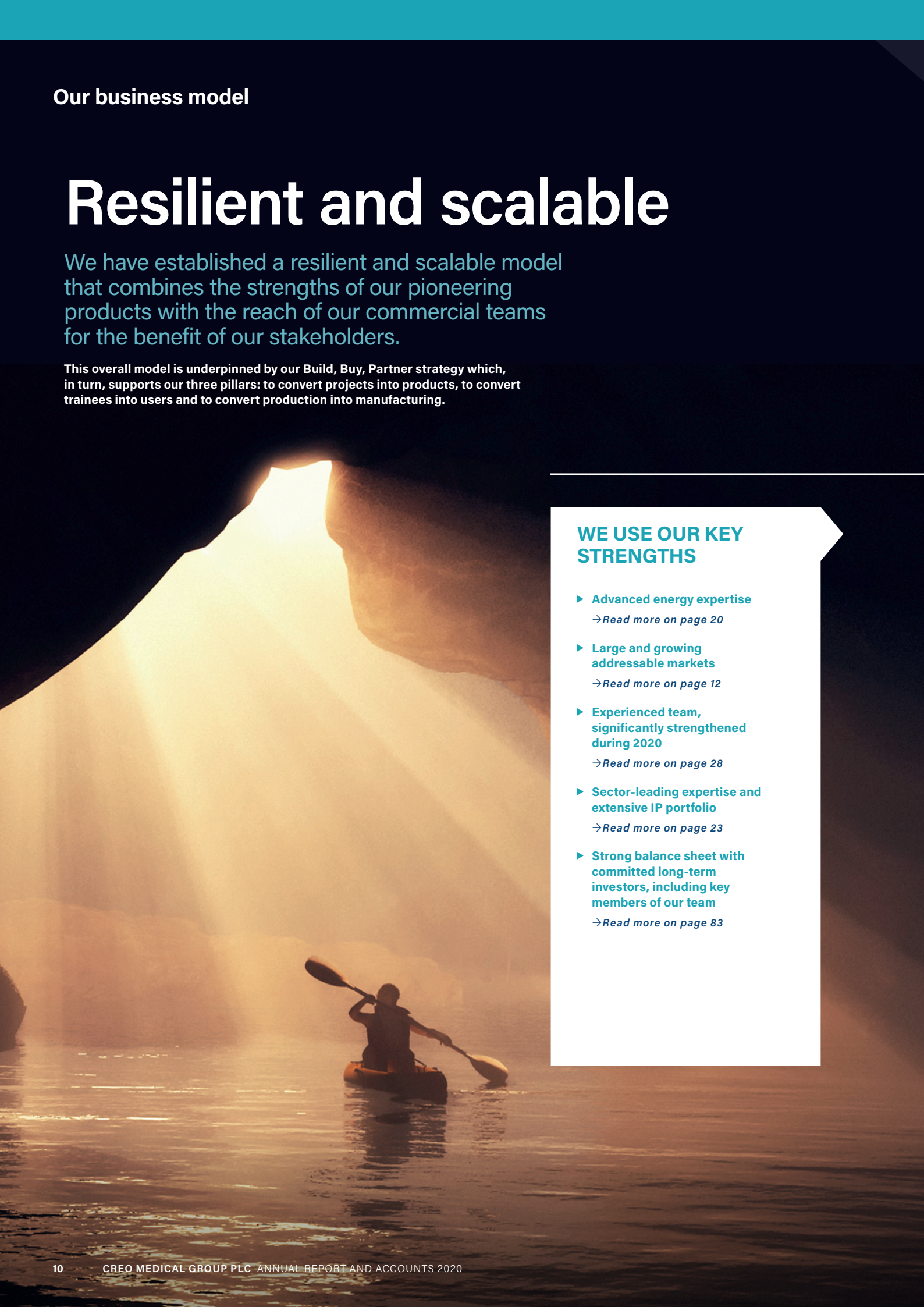
The steps we have taken this year to gain regulatory clearances for our devices and build our global commercial and distribution platform means we are ready for the next phase of our growth and to play our part in improving timeframes and outcomes for patients. In 2021 we will expect to see a wider adoption of our devices and begin developing broader commercial opportunities for our Kamaptive Technology.

Though the evolution of Creo since IPO has been exceptional our mission remains the same: to improve patient outcomes. We are extremely well positioned to be the next-generation solution in minimally invasive surgery and, whilst our current focus is on GI therapeutic endoscopy, looking forward we see significant further opportunities in other surgical disciplines/specialities and then beyond into diagnostics.

Resilient and scalable

We have established a resilient and scalable model that combines the strengths of our pioneering products with the reach of our commercial teams for the benefit of our stakeholders.

This overall model is underpinned by our Build, Buy, Partner strategy which, in turn, supports our three pillars: to convert projects into products, to convert trainees into users and to convert production into manufacturing.



WE USE OUR KEY STRENGTHS

- **Advanced energy expertise**
  →*Read more on page 20*
- **Large and growing addressable markets**
  →*Read more on page 12*
- **Experienced team, significantly strengthened during 2020**
  →*Read more on page 28*
- **Sector-leading expertise and extensive IP portfolio**
  →*Read more on page 23*
- **Strong balance sheet with committed long-term investors, including key members of our team**
  →*Read more on page 83*

TO GENERATE VALUE BY

- **Developing leading-edge technology**
- **Applying this to create our own products**
- **Distributing our products worldwide through our own sales force, the Albyn Medical and Boucart Medical sales channels in our key European Markets and through the careful selection and management of third-party distributors**
- **Licensing our Kamaptive Technology to carefully selected partners**
- **Pragmatic manufacturing model, manufacturing small quantities in-house initially and outsourcing to scale up**

TO CREATE VALUE FOR OUR STAKEHOLDERS

- **Patients**
  Improved outcomes, including lower risk of remote burns and thermal damage to adjacent tissue, faster recovery and less time in hospital
- **Physicians**
  Peace of mind from simple and adaptive products that provide predictable tissue effects and save time
- **Healthcare providers**
  Improved outcomes and lower costs resulting from the use of endoscopy suites rather than operating theatres (and endoscopists rather than surgeons) and reduced need for hospital stays for patients
- **Investors**
  Attractive growth prospects
- **Employees**
  Dynamic, creative and entrepreneurial culture, with exciting opportunities for development

Market opportunities

Our solutions enable transformational procedures that blur the lines between surgery and endoscopy, aiming to address unmet needs in large and growing applications to improve patient outcomes and reduce healthcare costs.

Electrosurgery

Electrosurgery is the application of electrical current to cut, dissect, coagulate and ablate biological tissue. Its ability to make precise cuts with limited blood loss drove adoption as an alternative to surgery using standard scalpels and knives. Electrosurgical devices were first commercialised in the 1920s for use in open surgical applications. Over time, advancing technology enabled less invasive procedures with laparoscopy (i.e. keyhole surgery), a field where today there are a considerable number of devices. Progression to even less invasive procedures with endoscopy has been slow due to lack of innovation, resulting in comparably few surgical tools available for therapeutic endoscopy or endoscopic surgery.

Why minimally invasive surgery?

Minimally invasive procedures are typically less costly than surgery with faster recovery due to the inherent nature of the procedure with smaller incisions. Laparoscopy is performed through a few small incisions rather than a single large incision. Laparoscopic surgical procedures are versatile as multiple instruments can be placed at the surgical site through multiple bore insertion tubes with short lengths, allowing fast insertion and removal of instruments. Endoscopy is even less invasive and is effective with screening and diagnostic instruments that allow physicians to visualise the internal structures of organs such as the gastrointestinal tract, lungs and bladder via naturally occurring orifices. However, as a diagnostic tool, endoscopes are not equipped to perform most surgical interventions and limited tools are available.

Innovation and technology advancement within endoscopy has been a challenge due to size restrictions. An endoscope diameter is limited by the size of the entry orifice. For example, a colonoscope will typically be 12mm in diameter, while an orally inserted gastroscope will typically be 10mm diameter. Within these confines, the endoscope must carry a video camera lens, light source, air/water/suction channel and guide wires to control the insertion. That leaves between 2-4mm in an endoscope for a working channel, which could be greater than 1m in length, where instruments can be administered. Within these restrictions technology available in open surgery and laparoscopy has not transitioned to endoscopy. With the limited options currently available, while a patient can be diagnosed endoscopically, most interventions still require a minimally invasive surgical procedure at best, or open surgery at worst.

Endoscopy has been a rapidly expanding practice due to the advent of colorectal cancer screening in most healthcare systems. This has driven growth in equipment and devices to enhance the ability to screen, detect and treat early-stage and pre-cancerous lesions in the GI tract.

Reducing mortality rates of cancers

Advanced therapeutic endoscopy, with its access in the gastrointestinal tract and the ability to cut, dissect, coagulate and ablate, has the potential to reduce the mortality rates of some of the leading causes of death, and to treat diseases and disorders with less invasive alternatives.

- Cancer is the second leading cause of death globally with one in six deaths due to cancer. Gastrointestinal and lung cancers account for greater than 50% of all cancer deaths[2].
- Current mortality rates from upper GI bleeding are up to 15%[1] with rebleeding up to 15%[10].
- Endoscopy procedures can be performed in outpatient clinics preventing long hospital stays and provide an alternative to patients that cannot or will not undergo surgery.

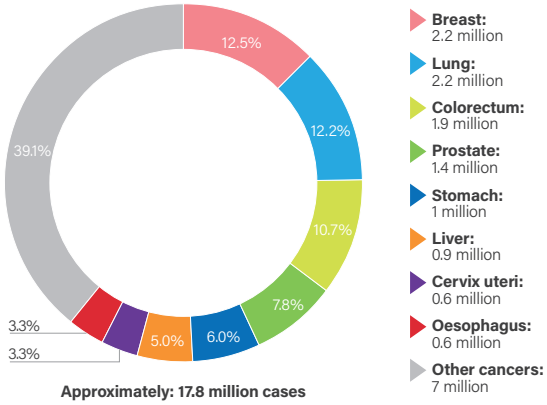
Despite the rise in incidence rates due to increases in underlying causes and through increased screening, endoscopists do not have the advanced therapeutic 'tools' to work with due to the lack of innovation. At the start of Creo's journey, our Horizon Group of Key Opinion Leaders quantified 76 specific unmet or underserved clinical needs in the GI where advanced energy could be applied.

Advanced therapeutic endoscopy as an alternative for treating tumours can potentially reduce cost and improve patient outcomes and quality of life compared to other more invasive surgical procedures. Examples include:

- Endoscopic resection of colorectal and upper GI tumours;
- Endoscopic ultrasound with fine needle ablation for liver, pancreas and kidney treatment, to manage tumours and potentially extend or improve the quality of life where limited surgical intervention options exist; and
- Bronchoscopy, where demand for new therapies and growth is driven by screening for lung cancer and no endoscopic treatment exists.

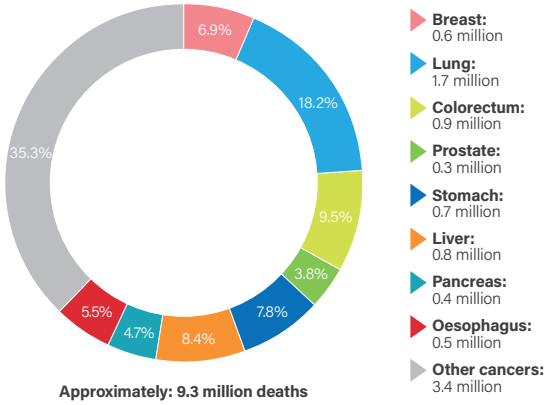
Reducing mortality rates of cancers[14]

Number of new cases in 2020, both sexes, all ages



Approximately: 17.8 million cases

Number of deaths in 2020, both sexes, all ages



Approximately: 9.3 million deaths

Lower GI Cancer (Colorectal)	▶ Obesity, sedentary lifestyles, poor diet and ageing populations are key drivers. ▶ Increasing screening programmes resulting in earlier detection, and improvements in treatment (including at pre-cancerous stages) are reducing incidence and mortality, particularly in developed countries[3]. In the field of colorectal cancer, 28m screening colonoscopies are performed in the US and Europe per annum, of which 5.5m identify a lesion requiring treatment[11]. ▶ Endoscopic solutions vary in effectiveness and risk.	▶ Advanced therapeutic endoscopy allows procedures to be performed in outpatient clinics and the risk of complications and mortality are also reduced. ▶ Creo's Speedboat technology has been developed to address the needs in lower GI procedures. **See page 24 for more details.**
Upper GI Cancers (Stomach, Oesophagus)	▶ Upper GI cancers have the highest incidence rates in Asia. ▶ Historically, these cancers have had high mortality rates due to late diagnosis. ▶ Many countries have now adopted screening programmes, allowing for earlier detection of these cancers. ▶ With the advent of new devices and techniques, many of these upper GI cancers can now be removed endoscopically.	▶ Creo's Speedboat and SpydrBlade technologies have been developed to address certain needs in upper GI procedures, such as Peroral Endoscopic Myotomy (POEM) procedures. **See page 24 for more details.**
Hepatobiliary Cancers (Liver, Pancreas, Gall Bladder, Bile Ducts)	▶ The highest mortality rate due to late diagnosis. Liver at 85% and Pancreas at 91% at five years. ▶ Most cancers inoperable due to late-stage diagnosis (Pancreas <20% operable). ▶ Liver cancer is increasing due to poor lifestyle and Hepatitis B and C viruses. ▶ Endoscopic solutions provide minimally invasive access, however technological innovation has been limited.	▶ Therapeutic Endoscopy using an Endoscopic Ultrasound Scan combined with Creo's MicroBlate Fine device could provide an alternative way to ablate soft tissue tumours and treat patients for whom there may be limited options for surgical intervention. ▶ Creo's MicroBlate Fine device is intended to navigate the GI tract to access adjacent organs using a fine gauge needle antenna, managing tumours and extending patient survival. **See page 25 for more details.**
Lung Cancer	▶ 75% diagnosed at later stages[4]. No nationwide population-based screening programmes. ▶ Surgery is currently the primary treatment and is very invasive and costly leaving radiotherapy and chemotherapy as the only alternative treatment option, with a 17% five-year survival rate[16]. ▶ 2.2m global cases of lung cancer each year[14], of which 85% of patients are inoperable[15].	▶ Therapeutic bronchoscopy allows treatment of pre-cancerous nodules in the lung as a first-line option, as well as treatment of patients not eligible for surgery. ▶ Lung cancer is not yet routinely screened for, however recent consolidation in the sector indicates investment and improvements in diagnostic accuracy. ▶ Population-based screening will become a part of life in the near future, resulting in earlier stage disease diagnosis. ▶ Diagnosis requires less invasive and more precise treatment options. ▶ These requirements ideally suit the key features of Creo's CROMA Advanced Energy Platform and MicroBlate Flex device. **See page 25 for more details.**

Our markets and applications continued

Gastrointestinal bleeding

Gastrointestinal bleeding is a common medical emergency worldwide, typically a symptom of an underlying disease. These bleeds often require endoscopic guided intervention, and unfortunately rebleeding post treatment continues to be an issue[8]. Upper gastrointestinal bleeding, involving bleeding in the oesophagus, stomach or duodenum, can be especially problematic, with a mortality rate ranging from 2–10%[8]. Currently, gastrointestinal bleeds are managed through thermal energy, mechanical ligation devices, or a topical spray used to coagulate the bleed.

- Upper gastrointestinal bleeding (UGIB), accounts for approximately 300,000 admissions yearly, for a total expenditure of $2.5bn annually in the United States[9].
- Risk of rebleeding occurs in 10–20% of patients, resulting in a second endoscopic treatment[10].
- Currently, the major markets in the Americas, Europe and Asia spend in excess of $560m on haemostasis devices to manage gastrointestinal bleeding[11].

Creo's SlypSeal Technology has been designed to provide an alternative solution to address this market, leveraging our non-stick haemostasis technology.

See page 25 for more details.

Opportunities for Creo

In terms of specific applications, the GI endoscopy market, which has seen limited innovation in recent years, is our key target market. With a growing volume of interventional techniques, it has an addressable market of $3-4bn, and estimated annual average growth of 4-6%[6,7]. For example, in the field of colorectal cancer, 28m screening colonoscopies are performed in the US and Europe per annum, of which 5.5m identify a lesion requiring treatment[11]. There are moves to reduce the screening age in the UK and US, for example, as incidence has grown among a younger demographic.

With Creo's current technology we can focus on other disorders within the GI tract where the ability to cut and coagulate are critical to the procedure, such as Achalasia, a rare disorder in the oesophagus where currently a minimally invasive alternative is limited and new, expected reimbursement in the US will help drive utilisation over more invasive procedures. As utilisation increases, opportunities will arise that will leverage the advantages of our technology where previous technology was not practical.

Longer-term opportunities where our technology can be utilised include:

- Expanding into other clinical areas and specialities where endoscopy is prevalent, such as:
  - Urology, Gynaecology, ENT, Neurology, and Orthopaedics.
- Expanding our toolkit beyond endoscopy where resection, coagulation and ablation are key:
  - Percutaneous solutions to expand where endoscopy is not possible such as peripheral lung lesions.
  - Laparoscopy applications, with an estimated addressable market of $3bn[12].
  - Surgical Robotics where advanced energy tools are very limited.

Why do we believe in the market opportunity?

There is a precedent: similar paradigm shifts have previously taken place in other fields of medicine. The transition from open surgery to laparoscopic surgery from the early 1990s is the obvious example. In recent years, advances in single-port laparoscopy, robotic surgery, natural orifice transluminal endoscopic surgery and flexible endoluminal endoscopy have heralded a new era of healthcare.

Globally, with the rise in incidence comes a rise in cost. Healthcare providers and payers are pressured to reduce healthcare costs at the same time as improving the efficacy and quality of care, while patients are becoming more aware of their healthcare options. This establishes a strong foundation for solutions that seek to improve patient outcomes, reduce healthcare costs, improve patient experience, and ensure the safety and satisfaction of physicians and their staff.

Thought leaders are advocating our solutions and promoting the 'anything is possible with the right approach' mindset to educate and engender confidence among endoscopists, blurring the lines between these practitioners who have typically specialised in investigative work, and surgeons. This is revolutionary for procedures that previously took place in the operating room which can now be undertaken in an endoscopy room, with material advantages in cost, time and patient outcomes.

The addressable markets are large and growing and Creo is well placed to take advantage of these.

- Endoscopy: $30bn and growing at a compound annual growth rate of 6.3%[5] of which energy systems and instruments is valued at $4.9bn[5]
- Laparoscopy: the global laparoscopy device market is estimated to be $10.15bn in 2019 and growing at a compound annual growth rate of 6.54% and is expected to account for $16.85bn by the end of 2027[12]. Energy sub segment of the global laparoscopic devices market was valued at $3bn in 2018 and is expected to reach $5.88bn by 2027 at a CAGR of 7.6%[12]
- Robotics Surgery: $4.8bn in 2020, and the market is expected to reach $9.65 billion in 2025 at a CAGR of 17%[13]

Dr. Carlos Robles-Medranda, Gastrointerologist & Endoscopists, IECED.

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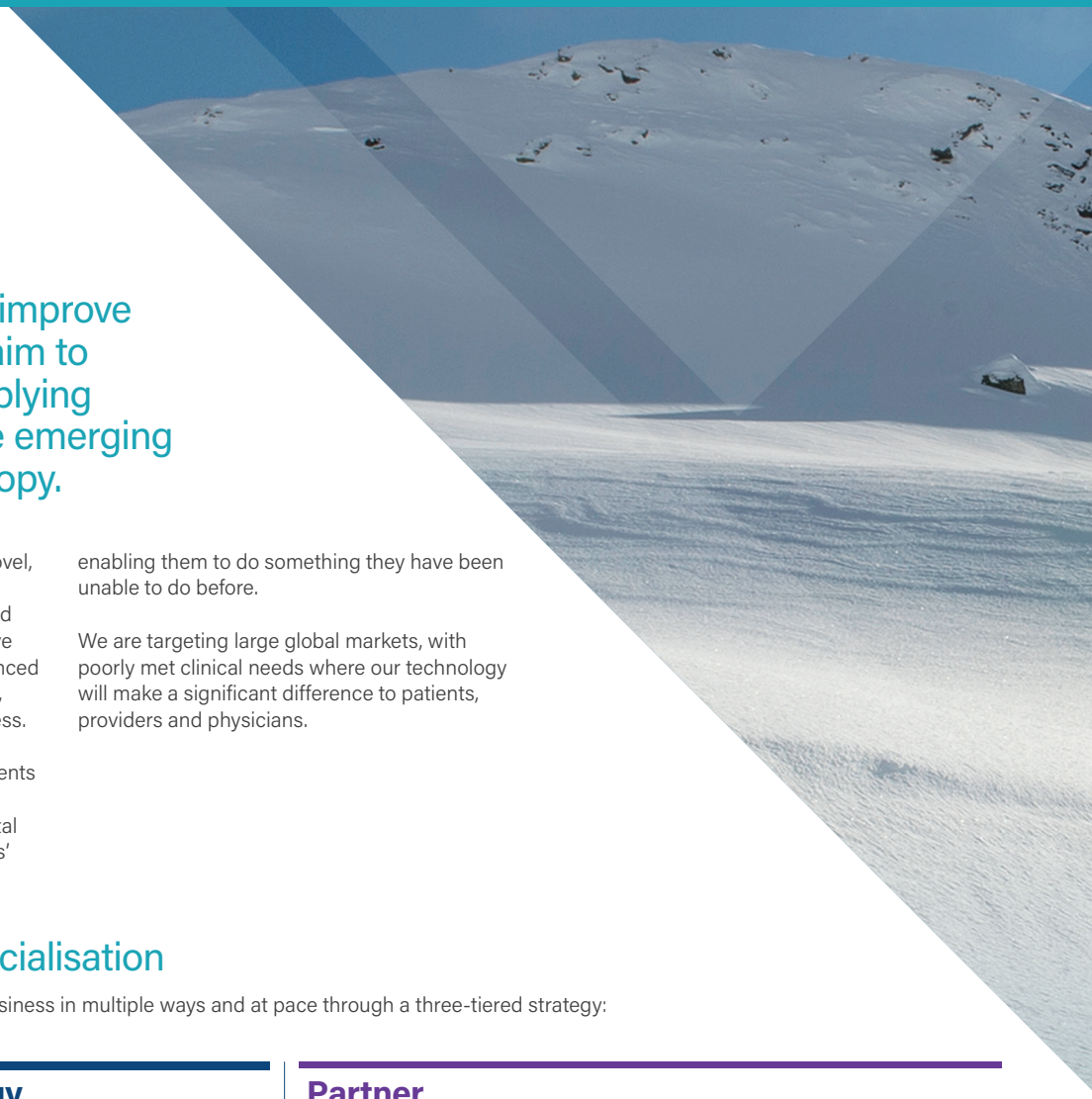


Our vision

Our vision is simple: to improve patient outcomes. We aim to realise our vision by applying advanced energy to the emerging field of surgical endoscopy.

We are developing and commercialising novel, minimally invasive, electrosurgical devices, delivered through Creo's CROMA Advanced Energy Platform, powered by our Kamaptive Technology. Our focus is on applying advanced energy with precision through the smallest, least invasive devices and methods of access.

Our purpose is to ensure that as many patients as possible benefit from better clinical outcomes, for providers/payers to lower total procedure costs and to enhance physicians' capability by widening their skill set and enabling them to do something they have been unable to do before.

We are targeting large global markets, with poorly met clinical needs where our technology will make a significant difference to patients, providers and physicians.

Our journey to commercialisation

We have the opportunity to develop the business in multiple ways and at pace through a three-tiered strategy:

Build

Using CROMA, our Advanced Energy Platform powered by Kamaptive, to enable our own innovative electrosurgical devices for the endoscopy market.

We intend to further develop Creo's Kamaptive Technology to enable third-party solutions to benefit from the advanced energy modalities we can offer.

Progress in 2020

- Five new devices CE marked (six in total)
- Three devices FDA cleared
- 16 new patents granted (247 granted patent and 763 pending applications in total)

Focus for 2021

- Full commercial launch of suite of GI products
- Expand and build upon the energy modalities that Kamaptive Technology can offer

Buy

Acquiring businesses that enhance our technology, accelerate our route to market, expand our geographic reach, empower new surgical disciplines, (for example Urology or Gynaecology) or access method (for example Laparoscopy and Robotic Surgery).

Progress in 2020

- Acquisition of Albyn Medical
- Acquisition of Boucart Medical

Focus for 2021

- Continue to evaluate strategic acquisitions that extend commercial footprint

Partner

Realising the significant potential to license Kamaptive, our advanced energy technology, to third parties to embed in their solutions and apply to new markets is a key area of focus this year.

Collaborating with other research groups, universities and organisations to push the boundaries of knowledge in the use of energy across the electromagnetic spectrum to diagnose and treat diseased tissue in any region of the body.

Identifying suitable third parties to invest in and/or partner with to develop complementary technology.

Progress in 2020

- Preparation of Kamaptive for licensing to third-parties
- Initial discussions with a number of robotic partners for the licence of Kamaptive Technology for use in robotic assisted surgery
- Investment in IQ Endoscopes for the design and development of a disposable, single-use sterile endoscope to provide safe and efficient internal diagnostics, which can be used with Creo's devices

Focus for 2021

- Further enhance existing relationships and, where appropriate, formalise relationships
- Build market awareness of Creo's Kamaptive Technology and third-party licensing opportunity

We intend to expand into adjacent markets, whether organically, **through partnership or acquisition.**

Read more on pages 34 to 37

Continuing the development of Creo's technology

When I founded Creo Medical, I set out with the aim to treat people with cancer through harnessing advances in semiconductor technology, advances driven by the needs of the telecommunications industry.

Over the last 12 months, many of the steps required to turn my initial vision into reality have come to fruition. During 2020, despite the pandemic, the creative and 'can-do' spirit of Creo was stronger than ever. Our engineering and regulatory teams found innovative ways of working to ensure that, in addition to our Speedboat Inject device, three additional devices gained FDA clearance – SlypSeal Flex and MicroBlate Fine during 2020 and MicroBlate Flex at the start of January 2021. We focused on moving our technology from bench to bed, from R&D to treating patients. The first clinical use of MicroBlate Fine in the treatment of pancreatic cancer was successful, with no adverse effects reported.

Alongside our drive to get our products ready to market, we filed 16 new GB patent applications in 2020 in advanced energy sources, which included new electroporation sources, miniature Radio Frequency (RF) generators and plasma systems for the sterilisation of contaminated endoscopes.

> We continued to innovate throughout the pandemic.

Chris Hancock
Chief Technology Officer

2020 was a record year for Creo in terms of enhancing our advanced energy technology, Kamaptive, not only in the area of new sources of advanced therapeutic energy and devices to transform patient outcomes, but also in integrated diagnostics by harnessing recent developments in semiconductor technology and new material.

Always innovating

We have never accepted science as it is and have continued to innovate throughout the pandemic, with engineers setting up workbenches at home to ensure that our progress was not impacted by COVID-19 restrictions. The examples below cover some of the key proof of concept work delivered in 2020.

Therapeutic Endoscopy

One prototype system developed and evaluated in 2020 consisted of an integrated steerable catheter, miniature vision system and the MicroBlate Flex device to reach parts of the lungs that have never been reached before. This system has already received very positive clinical interest from leading pulmonary experts and has the potential to be part of an early lung tumour diagnostics and treatment system, replacing the expensive, traditional bronchoscope.

Diagnostic Endoscopy

A second system set up and evaluated in 2020 was a miniature (sub 2mm OD) Raman spectroscopy flexible diagnostic sensor (comprising of transmission and detection fibre optic cables) – this sensor allowed inelastic vibrations of the molecules of tissue to be sensed from the detected scattered signal. This method of detection has the potential to instantly diagnose unhealthy tissue structures and enable tissue plane differentiation in thin walled organs such as the GI tract. This could change treatment pathways, removing the need for biopsies and speeding up diagnosis and treatment, even more important when there is limited access to hospitals.

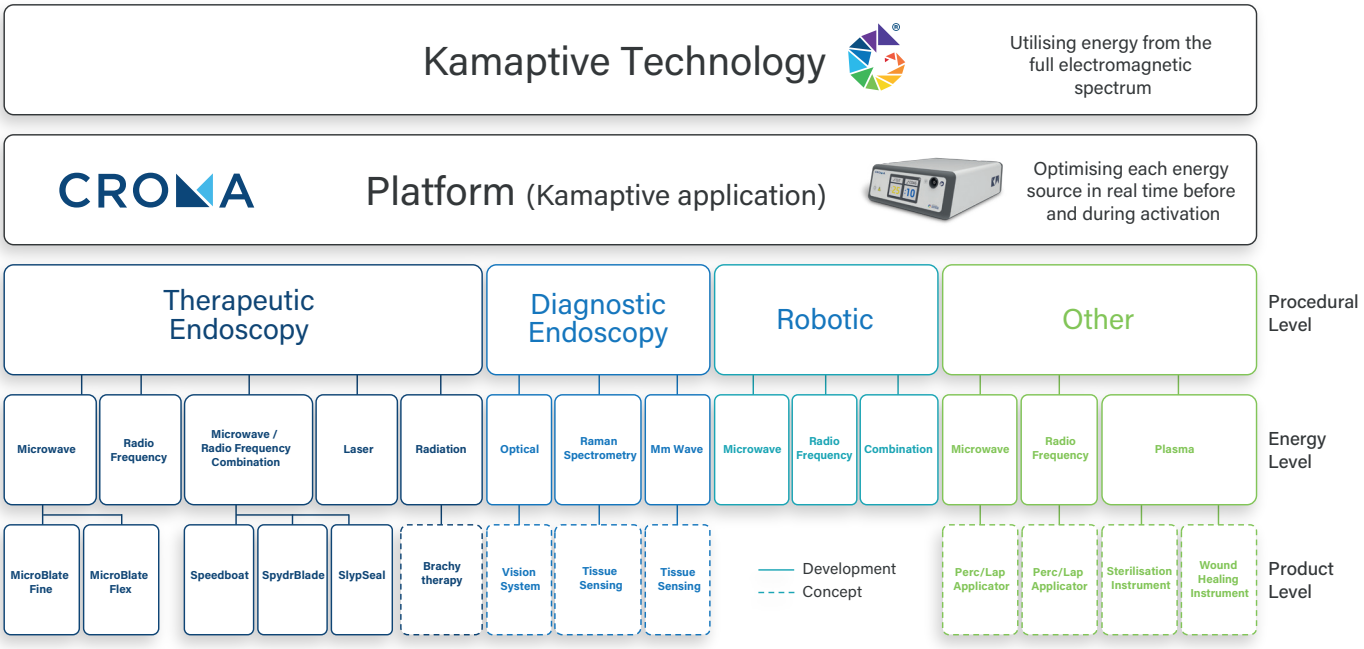
Collaboration with academic institutes

Our collaboration with leading universities here in the UK and in Europe is not only important for pushing forward our research but also for developing our future talent pipeline as we sponsor students through their postgraduate qualifications. Our work with microbiologists at the University of West of England to validate the efficacy of our non-thermal plasma system is a recent example of this.

The growing interest in plasma to address the issue of cross-contamination of various bacteria and viruses in endoscopes led to a study that decisively demonstrated the effectiveness of Creo's non-thermal plasma generation device at eliminating biofilm in the sterilisation process for endoscopes as well as bacteria and viruses.

This work is funded by the monies lent to Creo by the Cardiff Capital Region and has further application opportunities in wound care and urinary tract infections.

Recent collaboration with our Medical Microwave Systems Research Group and the new nuclear energy group set up in the Electronic Engineering Department in Bangor University has the potential to open up new opportunities for Creo in terms of combining microwave energy and electroporation pulses with locally delivered internal radioactive material for enhanced brachytherapy – this could open up opportunities for advanced radiotherapy to treat a number of cancerous lesions.



Kamaptive – advanced energy technology

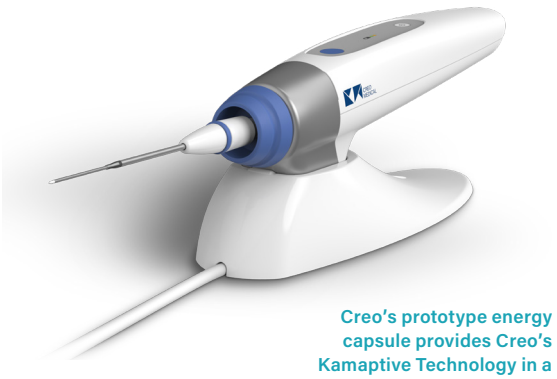
We continued to develop our advanced energy technology, Kamaptive, extending its capabilities to integrate multi-modal energy sources and support other clinical applications.

A key development over the last 12 months has been the progress made on the Creo 'Energy Capsule'. This miniature RF and microwave energy capsule was moved from concept to working module and demonstrated in pre-clinical labs with very positive clinical feedback.

These energy modules could be loaded into surgical robots to allow them to deliver therapeutic energy or be developed into handheld powered devices for use in the clinic or in the field.

The RF and microwave modules are just the start. We are also actively looking at high voltage/fast pulses for non-thermal cell apoptosis (electroporation) and spectroscopic energy modules for tissue state diagnosis.

The potential range of medical and surgical applications for our Kamaptive Technology are extensive, so during the year we transformed our platform generator team, bringing in design engineers, software and hardware engineers and system testers to create the modular platform generator of the future. This supports our strategy to license Kamaptive to partners to integrate into their solutions.



Creo's prototype energy capsule provides Creo's Kamaptive Technology in a handheld form to enable users in the field to deliver therapeutic energy.

Kamaptive Technology

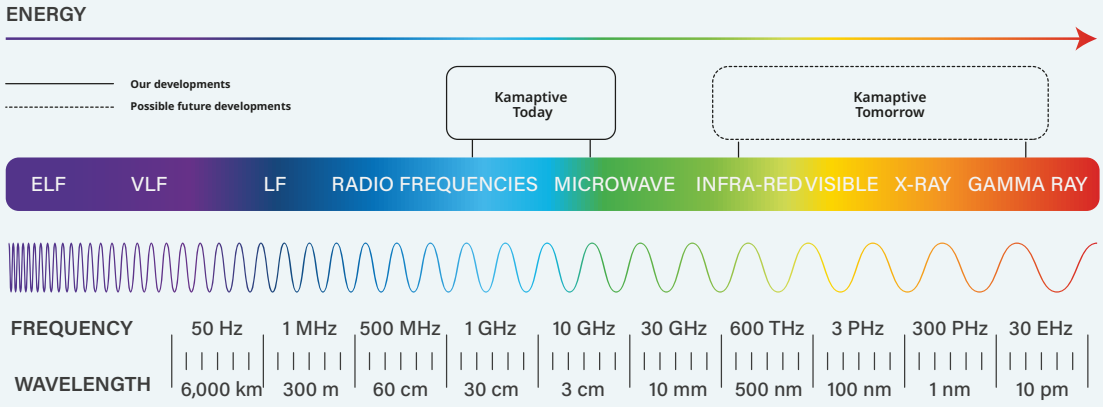
Seamless, intuitive integration of multi-modal optimised energy sources, adapting to tissue to improve patient outcomes

- Wide spectrum multi-modal advanced energy used from the full electromagnetic spectrum
- Closed loop multi-modal real-time tissue feedback automating adaptive energy delivery specific to patient/tissue needs. In the future: automatic device recognition and provisioning of energy settings for specific device needs
- Simultaneous delivery of energy sources to create new tissue effects and improving patient outcomes
- Bipolar radiofrequency and controlled high-frequency microwave

Focus on the future

This is all about understanding and using energy from across the Electromagnetic Spectrum and harnessing latest advances in engineering technology to create advanced therapeutic and diagnostic tools.

Electromagnetic Spectrum diagram



Underpinning Creo's ambitions is our vision of how energy produced at various frequencies within the Electromagnetic Spectrum can be harnessed and targeted to improve both therapeutics and diagnostics.

To be able to 'see' diseased or abnormal tissue in any region of the body, and then use this information to 'treat' it using miniature structures being developed by Creo, is our ultimate goal.

To move towards the ability to 'see and treat' we aim to create instruments that will deliver existing and new energy frequencies and modalities, including electroporation, for a range of laparoscopic, robotic, surgical and other open-source devices. This includes:

- **Robotic and Handheld Laparoscopic** platform for delivery of device technology portfolio into rigid laparoscopic markets including robotics
- **Diagnostic Imaging** platform for pulmonary, GI (ERCP) with potential to include single-use endoscopes
- **Non-Thermal Plasma** platform for wound care and scope decontamination
- **Tissue Diagnostics** platform for therapeutic and diagnostic sectors, including microwave radar diagnostics and Raman spectroscopy
- **Electroporation** platform for non-thermal tissue effects including irreversible tissue 'ablation' and cellular level sensitisation

Our technology

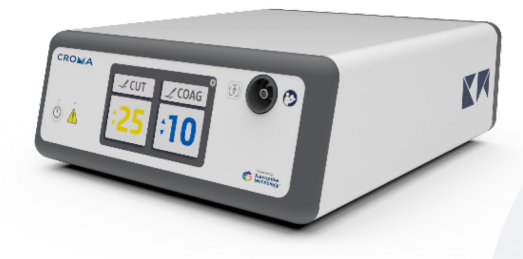
Delivered by CROMA powered by kamaptive technology

What is Kamaptive Technology?

Creo's CROMA Advanced Energy Platform is powered by Kamaptive full spectrum adaptive technology. Kamaptive Technology is the seamless, intuitive integration of multi-modal energy sources, optimised to adapt to the tissue effect required for different procedures. Kamaptive intuitively adapts to the different devices in use, self-provisioning and adapting the settings of the CROMA Platform for the purpose of the device being used. Kamaptive utilises all modes available to make the clinical experience as simple and intuitive for the user as possible, combined with real-time adaptive feedback to optimise the clinical effect allowing the clinician to focus entirely on the patient and the procedure. Utilising the full spectrum of energy modalities available to it, Kamaptive creates a simple, intuitive and safe environment for the user and the patient.

Kamaptive and our products

Kamaptive Technology's architecture allows multiple Creo development teams to design, test and build innovative devices independently whilst functioning with the CROMA Platform without complex software changes or menu options for users. This plug and play architecture allows Creo's designers and engineers to focus on patient safety and the required clinical effect.



Investing/partnering opportunities

The architecture developed and capability within the CROMA Platform has multiple surgical applications. Powered by Kamaptive, joint development with key partners has the potential to become an integrated reality. Creo is developing collaborative development relationships with a number of potential key partners in areas such as Robotics, Laparoscopy and Diagnostics where new technology could be developed carrying the 'powered by Kamaptive' seal.

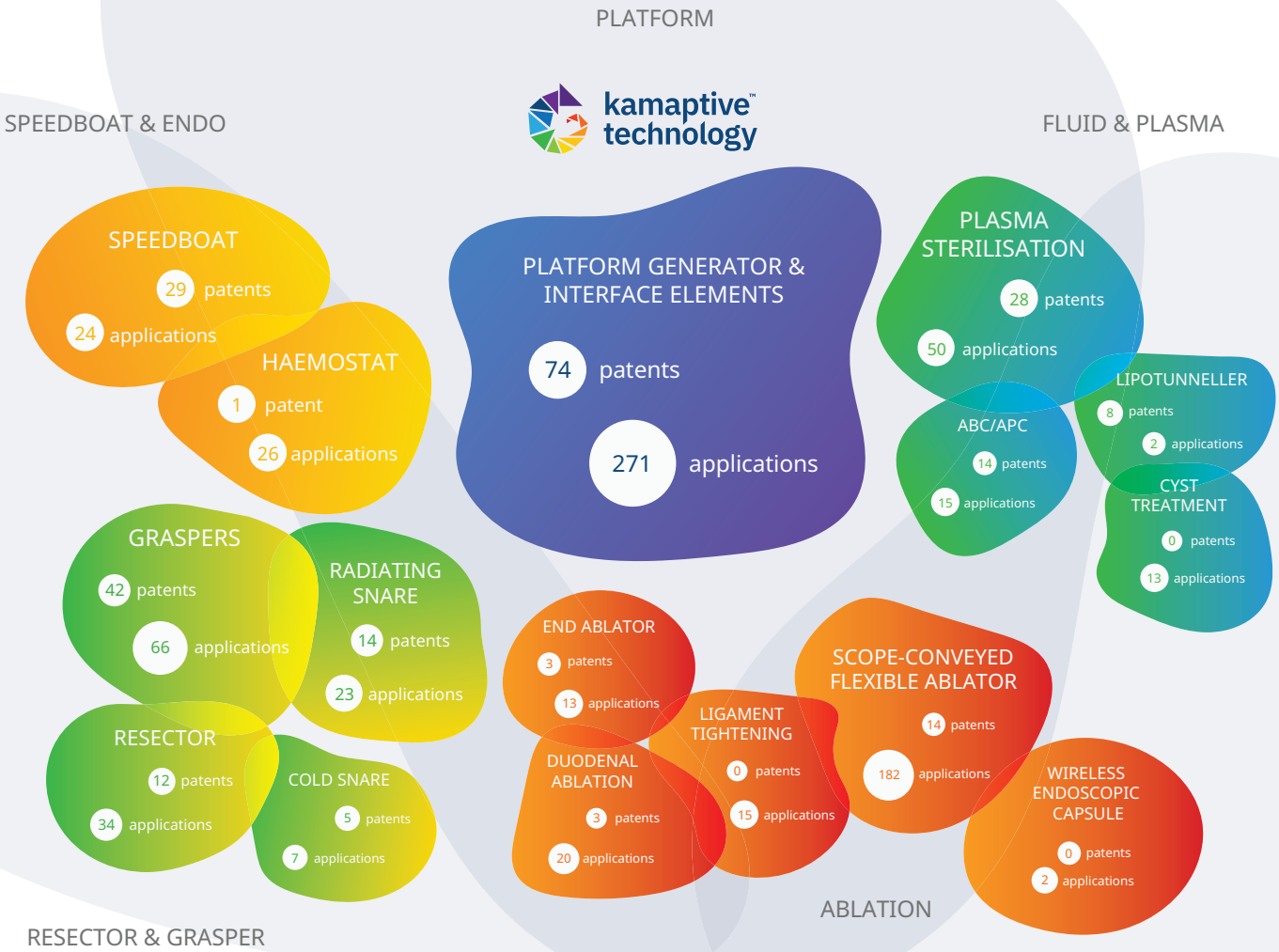
Developer conferences

Creo has been approached many times by device developers from all over the world to explore developing their own devices for which they need an advanced energy source. CROMA is an integrated platform with multiple surgical modalities. These modalities are continuously being expanded to include higher frequency millimetre-wave sources, electroporation capability as well as thermal and non-thermal plasma control. Creo will be stimulating worldwide developer conferences to allow third-party device manufacturers to develop their own devices to be powered by Kamaptive.

Overview of Creo Medical patent families

247 granted patents

763 patents pending



As of 31 December 2020, we had 247 granted patents and 763 pending applications around the world.

Jurisdictions: US, CN, JP, CA, IN, SG, AU, HK, KR, IL, ZA, BR, RU, EP (AT, BE, CH, CZ, DK, DE, ES, FR, GB, GR, IE, IT, NL, NO, PT, SW)

Creo Medical's core devices

CROMA Advanced Energy Platform

Powered by Kamaptive full-spectrum adaptive technology

Speedboat Technology

Range of unique bipolar radiofrequency (RF) blades with integrated microwave (MW) coagulation.

Speedboat device technology is another unique device technology with the only known bipolar surgical dissection blade in any form of surgery#. Additionally, Speedboat integrates MW technology allowing for precise control of bleeding during surgery. These features can also be uniquely integrated with irrigation and injection capability. As with all the Creo device families, Speedboat device technology has applications in many different areas of clinical therapy and surgery.

Speedboat™ Inject

- Flexible bipolar RF and MW device cutting and coagulation
- Incorporates integrated injection needle and protective hull which provide control and safety
- Complete procedure without need for multiple instrument changes

Speedboat™ Slim

- Flexible bipolar RF and MW device cutting and coagulation
- Narrow diameter of 3.2mm allows use in wider range of scopes

SpydrBlade Technology

Surgical device combining Speedboat blade and precise MW coagulation in a unique multi-modal jaw design.

SpydrBlade device technology optimises the power of the CROMA Platform, where advanced bipolar RF energy is used to cut tissue and precisely controlled MW energy is used for the coagulation and sealing of tissue during surgery. The SpydrBlade jaw structure utilises Speedboat's unique blade technology which allows cutting tissue as the jaws close, with the jaws of the device open as well as while the jaws are closed as a blade. No other laparoscopic surgical device is known to have these fundamental resection features#.

SpydrBlade™ Flex

- Flexible bipolar RF and MW energy scissor device
- Grasps, cuts and coagulates highly perfused tissue
- Switch between cutting using RF energy and coagulating using MW energy across the jaws of the device

SlypSeal Technology

Range of haemostasis devices leveraging our unique 'non-stick' haemostasis technology.

SlypSeal device technology is believed to be the only 'non-stick' electrosurgical haemostasis device technology in the market#. This key feature overcomes the perennial challenge in surgery and transforms the surgeon's ability to precisely manage bleeding with the unique ability to reapply with the 'non-stick' feature addressing the risk of 're-bleeds'. This combined with the precision and control of MW coagulation opens up many different device structures in the future.

SlypSeal™ Flex

- Flexible haemostasis device
- Designed for treatment of upper and lower GI bleeds*
- MW energy allows non-stick coating for easy device removal once tissue coagulation is complete

MicroBlate Technology

Tissue MW ablation devices – including the smallest MW ablation device we know of.

Our MicroBlate tissue ablation technology brings very high frequency 5.8Ghz MW energy into clinical practice for the first time. Operating at such a high frequency offers unrivalled level of control and feedback via the CROMA Platform allowing physicians to precisely ablate diseased tissue in multiple tissue types and many different clinical access methods. Creo is launching the first two devices in the MicroBlate range which allow unique levels of minimally invasive access due to the size, design and technology in the MicroBlate range.

MicroBlate™ Fine

- MW needle ablation device
- Designed to same form and dimensions as a standard biopsy needle
- Diameter of less than 1mm for use to ablate tumors in a wide range of tissue types, including highly perfused tissue

MicroBlate™ Flex

- Flexible MW ablation device
- Designed for soft tissue ablation where flexibility and small diameter is required to allow access
- Created to ablate nodules and tumours

* CE Mark approval for use in lower GI tract. FDA clearance for use in upper and lower GI tract.
\# based on management's expert knowledge.

Delivering a step change in our product marketing

> The National Institute for Health Research first recognised the potential of Creo Medical's surgical endoscopy technology 10 years ago and has supported the development of the devices – and the growth of the Company – ever since. NIHR's long-term funding for this innovative team means that a new treatment will be available to NHS patients up and down the country, exemplifying how NIHR helps translate discoveries into improved treatments and services.

Martin Hunt
Programme Director of NIHR i4i

Speedboat being used by Dr Sergio Coda, Consultant Specialist GI Endoscopists, Barking, Havering and Redbridge University Hospitals NHS Trust (in picture).

Product Marketing

The significant growth in Creo's commercial team in 2020 has generated a step change in our Product Marketing. Despite the delay in elective procedures caused by the COVID-19 pandemic, the enhanced team has embraced Creo's 'anything is possible' mantra delivering strong progress towards our commercial milestones. We've been busy!

Our Product Marketing objectives can be summarised as follows:

Products:

- Promote, position and sell current approved products with current and new users and translate best practices in all markets
- Strengthen clinical validation in current and new products
- Place our CROMA Advanced Energy Platform to increase installed base and establish revenue streams through subsequent sales of devices
- Increase utilisation through active engagement and monitoring

Clinical Marketing:

- Hone Key Opinion Leader (KOL) and advisory networks to assist with product strategy, clinical evaluation of new products, training and development of clinical data and evidence
- Expand customer validation to develop Creo's clinical story, ensure clinical use and build patient benefit evidence
- Expand brand awareness and lead generation through user group community development and live endoscopy courses
- Monitor user types (GI, surgeons), procedures (ESD, EMR, POEM) and sites (academic/community)
- Build a strong foundation of users and sites for current products and new products for deeper penetration

Group Integration:

- Following the acquisitions of Albyn Medical and Boucart Medical leverage and strengthen the direct sales force, product portfolio and customer base in EU and ROW markets
- Catalogue products for strategic selling and product roadmap expansion
- Create cross-Company teamwork through training, communication and operating mechanisms

Summary of current activities

Health economics

Key to the adoption of any novel medical technology are the benefits that users and patients can derive. Working with Creo's leading user of Speedboat Inject, initial data has demonstrated that the use of Speedboat can save NHS hospitals nearly £5,000 per procedure versus a traditional surgical outcome for patients. Health economic data analysed from a cohort of UK patient cases is estimated to have saved in excess of £400,000 of NHS funding in just one hospital.

The data demonstrates the health economic benefits for using our CROMA Advanced Energy Platform with Speedboat Inject. Speedboat's advanced surgical procedures use endoscopy to remove gastrointestinal pre-cancerous lesions under sedation rather than through a surgical process requiring general anaesthetic, hospital stay and a possible loss of organ function for the patient. The data validates not only the savings that can be made but also Creo's initial analysis of the opportunity that Speedboat technology offers.

UK

Under the guidance of David Woods, the UK team has continued to build on the work undertaken in previous years. Key to this market is use of Creo's products within the NHS. We believe that the benefits of our technology will become even more apparent as elective procedures return post COVID, and the NHS seeks to reduce its backlog.

During the year we have, where possible, provided refresher didactic and virtual training courses, as well as being cornerstone sponsors at recognised events, such as Kent Live, where Dr. Zacharias Tsiamoulos live-streamed procedures using Creo's Speedboat Inject device to a cohort of clinicians worldwide.

Commercialisation Agreement for the NHS

During 2020 we were pleased to conclude a commercialisation agreement with the Department of Health and Social Care to provide NHS hospitals with access to Creo's CROMA Advanced Energy Platform and associated devices at preferential rates for a limited period.

The National Institute for Health Research ("NIHR") Invention for Innovation ("i4i") Programme was extremely supportive of Creo's development projects and provided a series of funding awards between 2010 and 2015, totalling close to £2m. In accordance with the terms of such funding, Creo entered into a commercialisation agreement, which is designed to aid the roll-out of CROMA and accompanying consumable GI devices in the UK. The agreement also provides for training for clinicians and nurses in the use of Creo's suite of advanced energy surgery products.

Case study

Speedboat Inject

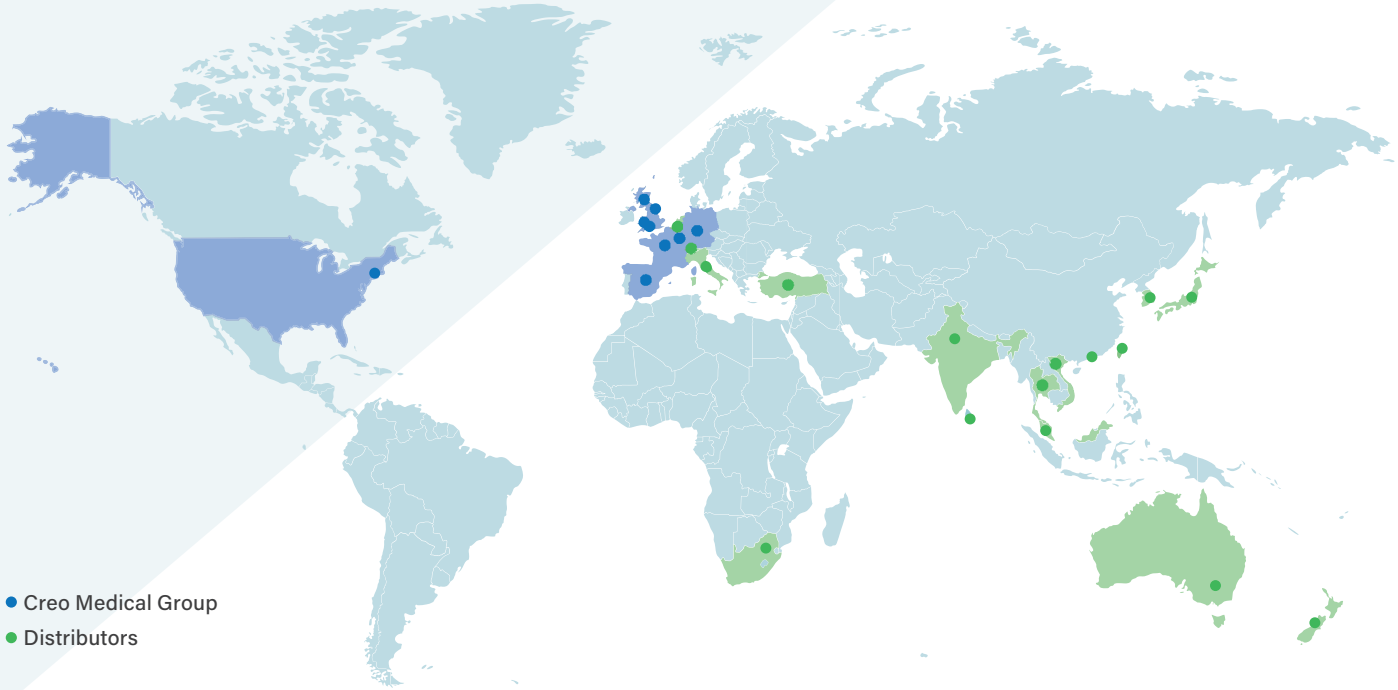
Hospital Universitario Puerta De Hierro Majadahonda, Madrid

Using Speedboat Inject and the SSD techniques demonstrated through Creo's clinical education programme, and supported on site by Creo's dedicated clinical staff, Dr Herreros de Tejada performed a proximal rectum resection to remove a lesion of about 4.5cm. The following day, Dr Jose Santiago performed a Speedboat Submucosal dissection on a rectal 7cm LST lesion with very large feeding vessels, some more than 2mm in size.

Both Dr Herreros and Dr Santiago were very impressed with Speedboat Inject and the full potential of Creo's technology. They were particularly impressed with the Haemostatic properties that Creo's Advanced Energy provides, commenting: "It is the future energy modality!"

Global map

To support our product marketing efforts, we have a blend of direct and indirect sales representatives, who share our vision to improve patient outcomes by bringing advanced energy to the emerging field of surgical endoscopy. During 2020 we have adapted our distributor network to reflect the needs of the business as we have grown, and we will continue to expand this network.



Europe

We have been working with our colleagues in Europe to leverage and enhance the value of the acquisitions made during 2020. Luis Collantes, CEO of Albyn Medical, provides more detail around the acquisition on pages 35. In addition to integrating Albyn's KOLs into the Creo family, we have been able to leverage Albyn's established relationships to introduce Creo's technology to new clinicians and bundle with synergistic products in GI, Pulmonology and Surgery.

USA

2020 saw Creo's US presence grow significantly, with 11 people recruited in the US, including market development specialists, sales staff and clinical support expertise. See page 29 for more information on David and his vision.

The US market is heavily regulated and the team is well versed in how to operate in this environment. Plans are advanced to open Creo's US HQ during 2021, to give greater support to our customers in this critical market. The team are targeting over 70 accounts and 130 physicians across the USA and have already successfully engaged with hospitals in each of their focused regions. The team has executed multiple clinical training labs with top tier academics, seeding the excitement about Creo and its portfolio of advanced energy devices.

Working with UK colleagues, the US team was front and centre in successfully managing the first in-person clinical use of MicroBlate Fine in December 2020. The device was used to successfully ablate pancreatic tumour tissue under Endoscopic Ultrasound guidance, without any procedural complications in several patients. This was a particularly important milestone for Creo and the entire Creo team.

APAC

In addition to welcoming our US colleagues in 2020, we have also recruited our initial APAC team. Under the supervision of another MedTech industry veteran, Tom Kwan, the team is working at pace to refine Creo's distributor network in the region and manage them directly. In addition to indirect sales, the team is looking for opportunities to sell directly in the region and is taking the critical initial steps to commence the registration of Creo's products in China.

Q&A

Chief Commercial Officer David Woods summarises his first few months in his new role

Q: How would you summarise your first few months with Creo?

A: Starting my new role against the backdrop of the global pandemic has created a surreal environment for these first few months. Our customers' world has been turned upside down as they adapt to supporting their communities in the fight against COVID-19. Elective procedures have been largely put on hold, creating significant backlogs around the world.

Q: What progress has been made in setting up the US sales team?

A: I have been involved with Creo for the last five years so I know the Company well. Combining this with my experience in the GI and Pulmonary marketplace over the last 22 years I have been able to recruit a strong, experienced team quickly. 11 talented people have joined the team in the US, including general management, market development leaders, clinical specialists' and service and support personnel. All will ultimately operate out of a regional office in the Tri-State area. The team is now actively working on building a strong clinical network to utilise and train with our regulatory cleared products and validate new concepts and products over time.

Q: What are your key areas of focus looking forward?

A: As we look forward to coming out of the constraints of the current pandemic we will be in a strong position to expand with the direct teams we have developed. The early training efforts in Europe and the US will validate our products and establish learning centres in major markets. Indirect markets will add product registrations while also expanding our dealer networks and KOL networks. Proven market adoption strategies and global teamwork will allow us then to grow in large APAC markets providing innovative products and services that deliver better clinical and economic outcomes to patients around the world.

Q: Where is Creo on its journey to commercialisation and what do you see as the key priorities?

A: Creo is still at the early stages of this journey but we have been making great strides with the CROMA Advanced Energy Platform and a suite of devices with high potential receiving regulatory clearance in Europe and the US. The key priorities for this year are the UK, US and direct European markets selling directly to acute institutions in the UK and the US and via the established Albyn and Boucart sales teams in Belgium, France, Germany and Spain. Initial orders are being received from the centers soon to be followed by expanded training programs for early adopters in these markets.

Q: How do you think the recent acquisitions will help drive the Group's growth ambitions?

A: The recent acquisitions of Albyn and Boucart delivered a step change in our ability to penetrate European markets, not only providing established direct sales channels for our current CE approved products but also the opportunity to sell some of the lower tier Albyn product range into the US and APAC markets going forward. Today we can bundle Creo's interventional products with Albyn's and in the future we can develop new products jointly extending our energy platform to deliver a wider range of products and procedures. Albyn's long track record in urology will also give us the potential to develop devices for this clinical specialism, extending our target markets.

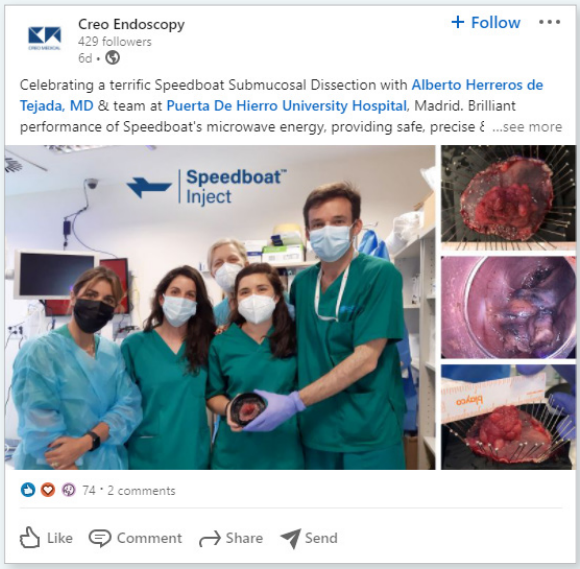
Clinical adoption

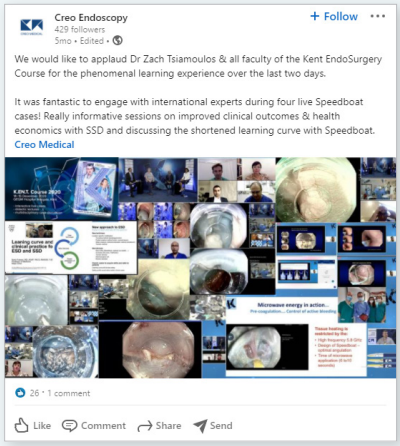
During the year we have, where possible, provided refresher didactic and virtual training courses, as well as being cornerstone sponsors at recognised events, such as Kent Live, where Dr. Zacharias Tsiamoulos live-streamed procedures using Creo's Speedboat Inject device to a cohort of clinicians worldwide.

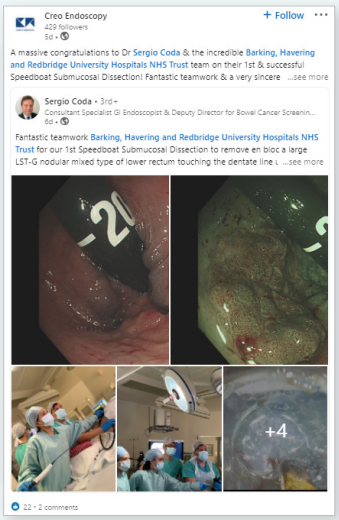
In addition, working within the restrictions caused by COVID-19, our clinical training and mentoring has continued with some outstanding results.

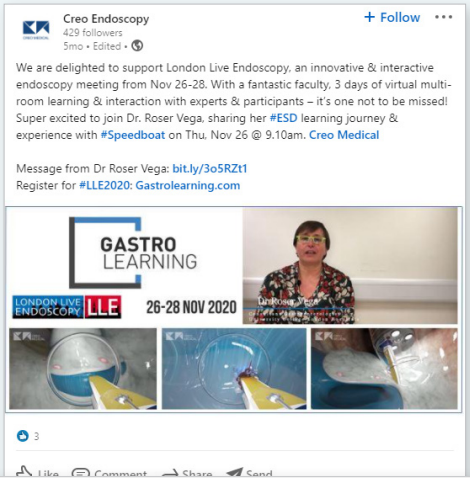
Below is a selection of the social media feedback we have recieved following the training courses and clinical procedures.

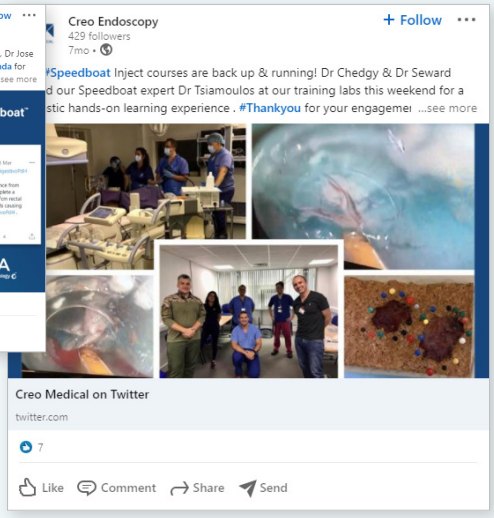
Speedboat Inject has now been used successfully in both upper GI (POEM) and lower GI (SSD) endoscopy procedures in hospitals in the UK, US, India and Europe.

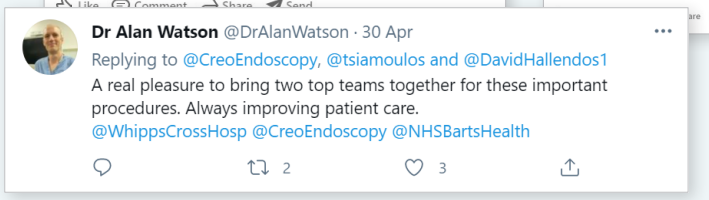












@CreoEndoscopy
linkedin.com/showcase/creo-endoscopy/
twitter.com/CreoEndoscopy

@CreoMedical
linkedin.com/company/creo-medical/
twitter.com/CreoMedical

Building innovative solutions

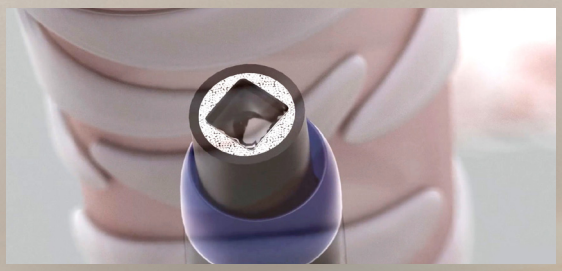
We have made great strides forward in delivering on our Build strategy in 2020, following the successful launch of our first device, Speedboat Inject, in 2019. We now have four technology families – Speedboat, SlypSeal, SpydrBlade and MicroBlate – where all current devices have now been CE marked and FDA 510(k) clearances have either been received or remain on track and are well positioned to move into our education-led commercialisation plan. Commercial orders for Speedboat Inject have been received during the year and MicroBlate Fine has been used successfully in clinical applications.

We added 16 patents to our IP estate during 2020 and now have 247 worldwide patents and 763 worldwide pending applications. These new filings provide protection for our platform generator, key GI cutting and ablation instruments as well as a new integrated Raman and direct vision probe – the first step to opening up opportunities in diagnostics as well as therapeutics.

We continued to undertake feasibility studies that extend the clinical applications for our devices. Positive clinical feedback from leading pulmonary experts was received for an integrated vision system that used MicroBlate Flex combined with a miniature camera to navigate through the lungs and treat cancerous lesions.

Prototypes for a new Endoscopic Retrograde Cholangiopancreatography (ERPC) concept are ready to be demonstrated to clinicians during 2021. This system allows the clinician to see inside the pancreatic and bile ducts, using Microblate Flex combined with a guide wire, an introducer with radiopaque markers and a 1mm diameter camera.

Our advanced energy technology can combine different types of energy, moving along the electromagnetic spectrum, and adapting them for a range of potential clinical applications. We are already looking further forward at Fibre Optic Probe based Raman Spectroscopy that uses the infra-red region of the electromagnetic spectrum. This method of detection could lead to instant diagnosis of unhealthy tissue structures and enable tissue plane differentiation in thin walled organs such as the GI tract.



Creo's concept Fibre Optic Probe based Raman Spectroscopy aims to use infra-red to instantly diagnose unhealthy tissue structures.

Creo's portable energy source is being designed as both a hand held device and will also all Kamaptive to support robotic surgery.

Case study

Plasma and biofilms

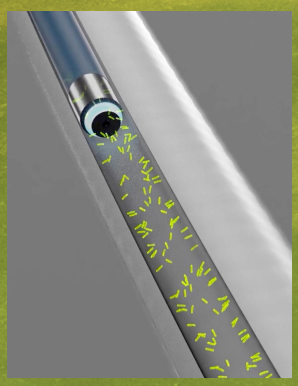
Department of Applied Sciences, University of West of England (UWE)

Working with UWE's Department of Applied Sciences, Creo has been testing and optimising the delivery of its plasma sterilisation technology to successfully demonstrate the efficacy of the technology against microbial biofilms with the ultimate goal of commercialising this technology to reduce the increasing risk of cross-contamination between patients from the use of reusable endoscopes.

Endoscopies are the most commonly performed gastrointestinal procedure, with two million procedures taking place annually in the UK. Due to the nature of endoscopic procedures, microbial contamination of endoscopes is unavoidable. If these devices are not effectively decontaminated and disinfected during reprocessing, microbial biofilms can form on the internal lumen of endoscope operating channels, posing a serious risk of potential cross-contamination between patient procedures.

Further testing is now required to produce a fully functioning clinical prototype device for integration into endoscope reprocessing workflows.

Dr Robin MS Thorn
Associate Professor of Molecular Life Sciences



Creo's plasma decontamination technology aims to decontaminate the working channel of reusable endoscopes to prevent cross contamination between patients.

Strategy in action: Buy

Accelerating growth through acquisition

The transformational acquisitions of Albyn Medical and Boucart Medical during the year significantly advances our strategy, delivering an established route to market for our products in Europe and strengthening our commercial teams.

Albyn Medical was established in 1985 in Scotland, originally developing computer-based Urodynamics and GI Motility systems. Now based in Navarra, Spain and with additional operations in the UK, France and Germany, Albyn Medical specialises in the manufacture and supply of systems and consumables for the Urology / Gynaecology, and GI endoscopy markets.

Albyn's product range covers diagnostic, therapeutic and hygiene / cross-contamination control to customers including hospitals, hospital groups and doctors' offices across both state and private sectors. Albyn's own brand of GI products includes a range of biopsy forceps, snares, catheters, tubes and valves, as well as distributing a wide range of diagnostic and therapeutic endoscopy devices.

Albyn Medical also has a range of endoscope cleaning, sterilisation and storage products, as well as endoscopic accessories for hospitals. GI products account for 90% of Albyn Medical's sales, with 10% of revenues derived from its own developed urology products and partner urology sales.

Over the last 18 years, Luis Collantes, CEO of Albyn Medical, has succeeded in building Albyn Medical into a successful business, leveraging his energy and reputation in the industry in Europe to grow a resilient company, delivering great service and support to Albyn Medical's customers and a consistent and valuable business to Albyn Medical's suppliers.

More than half of the Albyn workforce are focused on sales, marketing and customer service for more than 4,000 accounts, giving Creo local access to doctors, hospitals and clinics. In addition to the sales and marketing team, Albyn brings a full infrastructure from product development expertise, to manufacturing sites in Spain and Germany and a well-developed supply chain and logistics function.

Boucart Medical was established in 1991 and is the largest independent supplier of GI endoscopy consumables in Belgium and Luxembourg, having many suppliers in common with Albyn Medical. Boucart is a natural fit with Albyn, with a sales driven culture and an experienced team in the sector who have built up a loyal network of customers.

Together, these acquisitions create an enlarged Group with coverage across six countries and a combined customer base of over 4,600 accounts.

ALBYN MEDICAL
A Creo Medical Company

Case study

Albyn acquisition

Albyn Medical's CEO Luis Ignacio Collantes discusses the synergies and benefits of Creo's acquisition of Albyn

"Albyn's strong position in the European Endoscopy market was built by consolidation over several years, with the aim of creating a European platform for key manufacturers to distribute their products across Europe. As a result, Albyn has a significant presence in Europe, giving Creo access to in-depth regional knowledge. This is critical as despite common product safety standards, every country operates very differently with very different healthcare systems. All the sales teams, relationships and processes are in place, which will allow Creo fast entry into the European Endoscopy market for its existing CE marked devices.

Albyn's business is primarily distribution, with the added benefit of an assembly plant in each of Germany and Spain for its own products. The acquisition gives Albyn access to Creo's advanced technology and IP estate and will raise its profile within the medical community, helping the sales of the products in Albyn's own portfolio. The cultures of the two organisations are very similar, making integration easy with no dramatic changes in organisation structure needed. Work has already started on training the Albyn sales force on Creo's technology, identifying key targets in each country and setting up training workshops in well-recognised centres such as University Hospitals in Nantes and Santander. Cross-company collaboration will become increasing important, not just in sales and marketing but also potentially in manufacturing where the Albyn European plants could assist to produce Creo devices cost-effectively in the post-Brexit world."

Luis Ignacio Collantes
Luis became CEO of Albyn Medical in February 2009, having previously held a number of positions within the Albyn Group including Technical Director and Commercial Director Exports and Spain.

Luis defined and implemented Albyn Medical's strategy to become a key European supplier and distributor within the flexible endoscopy accessories market.

Luis was awarded Best Entrepreneur of Navarra in 2013 and is also a guest lecturer on the Biomedical Engineering Master's Degree at the University of Navarra.

Key facts	Albyn Medical	Boucart Medical
Direct geographical coverage	Spain, France, Germany and UK	Belgium and Luxembourg
Staff	85	10

A European presence will become increasingly important from a regulatory and trade perspective and Creo will benefit from Albyn's strong reputation and commercial relationships with customers and suppliers, along with an experienced management team and a talented, knowledgeable workforce. As Creo establishes sales channels in the US and Asia Pacific, these will open up new markets for Albyn's products and accelerate the growth of the Group as a whole.

Realising the potential of Kamaptive Technology

Whilst we intend to develop the business organically, we recognise that we may not always be able to maximise the opportunities we can generate. We intend to partner with leading organisations and select technology partners to bridge the gap between organic growth and pure M&A. We believe that partnering will not only accelerate our growth and realise the full potential of our Kamaptive Technology, but will also give Creo access to the expertise of third parties on a de-risked basis.

Kamaptive Technology

Seamless, **intuitive integration of optimised multi-modal energy** sources, adapting to tissue to improve patient outcomes.

Wide spectrum multi-modal advanced energy used from the full electromagnetic spectrum.

- Closed loop multi-modal real-time tissue feedback automating adaptive energy delivery specific to patient/tissue needs.
- Automatic device recognition and provisioning of energy settings for specific device needs.
- Simultaneous delivery of energy sources to create new tissue effects and improving patient outcomes.
- Bipolar radiofrequency and controlled high-frequency microwave.

Creating future instruments that will deliver existing **and new energy frequencies and modalities**, including electroporation for a range of laparoscopic, robotic, surgery and other open-source devices.

- Robotic and Handheld Laparoscopic platform for delivery of device technology portfolio into rigid laparoscopic markets including robotics
- Diagnostic Imaging platform for pulmonary, GI (ERCP) with potential to include single-use endoscopes IQE
- Non-Thermal Plasma platform for wound care and scope decontamination
- Tissue Diagnostics platform for therapeutic and diagnostic sectors, including microwave radar diagnostics and Raman spectroscopy
- Electroporation platform for non-thermal tissue effects including irreversible tissue 'ablation' and cellular level sensitisation

Creo Medical Device Technology Portfolio

A range of miniature endoscopic devices enabling precise resection, dissection, haemostasis and ablation.

Speedboat™ Technology

Range of unique bipolar radiofrequency (RF) blades with integrated microwave (MW) coagulation.

Speedboat™ Inject | Speedboat™ Slim

SpydrBlade™ Technology

Surgical device combining Speedboat™ blade and precise MW coagulation in a unique multi-modal jaw design.

SpydrBlade™ Flex

SlypSeal™ Technology

Range of haemostasis devices leveraging our unique 'non-stick' haemostasis technology.

SlypSeal™ Flex

MicroBlate™ Technology

Cutting-edge miniature MW ablation devices using very high frequency (5.8GHz) for the first time in clinical practice.

MicroBlate™ Fine | MicroBlate™ Flex

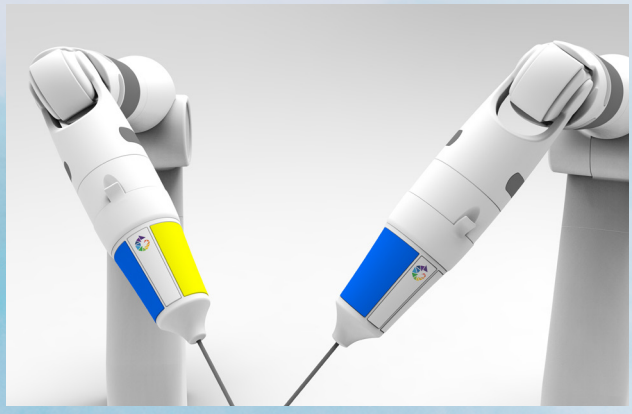
Robotics

During 2020 we've focused on ensuring our Advanced Energy Platform, powered by our Kamaptive™ Technology, is ready for licensing and we have identified a number of target areas where partnering could be considered.

We are now building a pipeline of potential partnerships – robotic surgery being a particular sector of interest. We believe that with the right partners, robotic surgical platforms powered by Kamaptive Technology have the potential to accelerate this inevitable change in the way that patients are cared for and treated.

The global surgical robotics market was $4.8bn in 2020[1] and is projected to reach $9.65bn in 2025, at a CAGR of 17.%.

Surgical robots enable surgeons to carry out complex surgical procedures with greater precision. They are primarily used in gynaecological, urological, orthopedic, general, neurosurgeries, and other minimally invasive surgeries. Key to this will be the ability to provide medical devices and advanced energy to be utilised by Robotic platforms. We believe that allowing carefully selected robotic partners to enable their platforms to be powered Creo's Kamaptive Technology, Creo will achieve its vision sooner and will be able to treat more patients.



In addition to robotic surgery, our Kamaptive Technology can equally be applied to existing laparoscopic surgical procedures.

The global laparoscopy device market is estimated to be $10.15bn in 2019 and growing at a compound annual growth rate of 6.54% and is expected to account for $16.85bn by the end of 2027[2]. The advanced energy sub segment of the global laparoscopic devices market was valued at $3bn in 2018 and is expected to reach $5.88bn by 2027 at a CAGR of 7.6%[2]. Creo's Kamaptive Technology could enable third party device developers to access this market with the benefits that our energy offers.

1. Robotic Surgery Device Global Market Report 2021: COVID 19 Growth And Change To 2030, The Business Research Company.
2. Coherent Market Insights, Laparoscoic Devices Market Analysis – Jan 2020.

Case study
I.Q. Endoscopes

During 2020 the Creo team identified the opportunity to work alongside the Development Bank of Wales and support an investment round of £1.5m in I.Q. Endoscopes Ltd. I.Q. Endoscopes is developing a fully disposable gastroscope, the IQ Scope, to help in diagnostics and therapeutic procedures. I.Q. Endoscopes believes that single-use endoscopy can eliminate the risk of disease transference which is at the forefront of the minds of clinicians at the moment.

The IQ Scope is being designed to be used safely with Creo's suite of advance energy devices and is designed to be easy to deploy outside of hospital settings making it ideal for developing countries where endoscopy procedures are currently rare. To assist the business, Craig Gulliford joined the board of I.Q. Endoscopes in a non-executive director role.

Creo was keen to support the product development to get IQ Scope to market as quickly as possible, as practitioners can't risk contamination between procedures. Creating a disposable endoscope, which is expected to be positioned at a lower cost point than current technology, is an extremely thrilling prospect, offering an alternative technology to decontamination procedures and ultimately could increase the adoption of Creo's core technologies.

"I.Q. Endoscopes has an impressive team and platform technology that addresses a vast global market. This is a real opportunity to develop a new, complementary medical technology that can widen access to endoscopy."

Dr Richard Thompson
Senior Investment Executive
Development Bank of Wales

"Our platform will not only eliminate all threat of cross-contamination between endoscopy procedures, but also increase throughput of patients."

Matt Ginn
CEO
I.Q. Endoscopes

Putting ESG at the heart of Creo's mission

> My short time with Creo has already far exceeded my expectations – from the thorough handling of the COVID-19 pandemic, to the compassion, collaboration and dedication of the Creo team as a whole. I am extremely grateful and proud to have joined such a considerate company.
>
> **Creo Employee**

Creo's mission is simple: to improve patient outcomes by applying advanced energy to the emerging field of surgical endoscopy. We aim to fulfil our mission by applying Creo's Kamaptive technology initially to the emerging field of surgical endoscopy and then into adjacent applications such as laparoscopy and robotic surgery. Our technology will continue to evolve, but regardless of where our journey takes us, Creo's mission will remain a constant and will be the same, simple principle based on the vision on which Creo was founded by Professor Chris Hancock in 2003.

Our mission is embedded within our approach to environmental, social and governance (ESG) matters. We have previously touched on ESG matters within our annual reports, however this maiden ESG report aims to consolidate and set out the important work that we undertake in discharging our ESG obligations.

Where is Creo on its ESG journey?

Creo is still in the early stages of its ESG journey. We have achieved a lot since IPO in 2016 and we are committed to doing more.

The COVID-19 pandemic has impacted all of our lives and the way that we work and interact. Overnight, priorities shifted. However, we believe that whilst our ESG framework is still in its infancy, we used 2020 wisely and with maturity. Our intention is to formalise our ESG approach during 2021 to ensure this delivers the maximum benefit throughout our group of companies and to our stakeholders as a whole.

Throughout this ESG report, we have set out certain objectives that we are working hard to achieve during 2021 and beyond.

Stakeholder engagement in ESG

Our key stakeholders are our shareholders, employees, customers and their patients, business partners and suppliers and our wider communities in which we operate. In addition to this core group, other stakeholders are professional bodies with whom we work, governmental and regulatory bodies who enable our products to be placed on the market and industry bodies in which we participate (such as the Association of British HealthTech Industries).

The Board takes the concerns of its stakeholder groups into consideration in its discussions and decision making and Creo receives regular, direct and indirect feedback from relevant stakeholders. This feedback enables us to inform our overall strategy and also ensures that our ESG approach is measured and appropriate.

Pages 44 to 47 of this report set out our s172 statement and the ways in which we engage with our relevant stakeholder groups.

During 2021 we will define and formalise the ESG considerations for our relevant stakeholder groups. This process will allow us to annually assess how we have taken such considerations into account within the business and the impact that they have made on our key decision-making processes.

Who's involved in Creo's ESG efforts?

Creo's ESG efforts are multilateral – it is not just a top-down approach. We have a number of employees with roles that significantly involve ESG matters, such as our health and safety team, our clinical education team, our engineers and our HR professionals, but we intend to have local champions within each of our regions with the overall responsibility for ESG implementation and feedback.

Environmental

Recycling

We currently segregate all wastes at our head office in Chepstow and our office in Bath, including batteries, WEEE, hazardous materials, sharps, and clinical waste etc. During 2021 we plan to initiate the same processes in our other offices.

We moved the majority of staff to home-working during the COVID-19 pandemic, which obviously reduces the amount of day-to-day waste generated in the office environment. However, acknowledging that this has simply relocated waste to the home environment, we asked staff to return any waste electrical items, batteries, etc. to the workplace so it can be recycled as part of our business waste.

Prior to the start of the COVID-19 pandemic, the business had started to reduce the amount of single-use plastics we bring into the business. Some examples include:

- Reducing single-use plastic stationery and sundries, buying wooden rulers, metal noticeboard pins, paper cups, reusable glass water bottles for internal meetings, etc.;
- Creo's marketing team sourced notebooks and diaries bound with natural materials as well as wooden reusable pens for publicity events; and
- We started the process to run a tree planting exercise to offset our carbon footprint – we acknowledge that the nature of our products means that single-use plastics are utilised, however by offsetting we aim to benefit not only the environment, but local habitats for nature and the wider communities giving greener environments.

Waste Electrical and Electronic Equipment (WEEE)

As a producer we place electrical items onto the UK market which will eventually become waste. We understand our obligations to manage this, both morally and legally. We have joined a producer compliance scheme (PCS) to support and assist our efforts.

Under the relevant laws, we are considered a small producer as we place less than five tonnes of electrical product onto the market annually. This allows us to register with the European Agency direct. However, we have chosen a PCS to handle our registration so that we receive timely and effective guidance as our business develops and additional obligations come into force.

ISO14001 (Environmental Standard)

We intend to work towards ISO14001:2015 during 2021 for our UK operations.
Our French office currently holds an ISO14001:2015 certification and going forward, we plan to work towards this standard on a Group-wide basis, ensuring that we are aligned in each region.

Social

Much of Creo's social ESG efforts during 2020 focused on responding to COVID-19 and empowering our staff to help with the COVID-19 response.

Progress to date

Supporting our people through COVID-19

Whilst our staff adapted exceptionally well to the challenges of working within the COVID-19 constraints, our priority was to ensure that we safeguarded their health and wellbeing, and we offered a wide range of support during these unprecedented times.

We furloughed a small number of employees at the start of the COVID-19 pandemic and benefitted from the support offered by the Government at that time. Subsequently Creo has repaid all financial support provided by the Government to Creo Medical Limited under the furlough scheme.

We took a holistic approach to supporting our people. Our focus was on flexibility, focusing on the output delivered not on when or how the hours were worked, particularly important for our staff who were home-schooling or had varied dependant responsibilities. Wellbeing and mental health support was elevated and focused to ensure a broad range of support as we operated in a more virtual world. In addition to our Employee Assistance Programme, we trained two employees as mental health coaches and engaged with a variety of subject matter expert coaches for rounded mental health, wellbeing and performance support. Keeping in touch was critical, with All Hands calls, HR check-ins and coffee and cake catch-ups, all part of the mix. In addition to supplying the equipment needed to enable home-working, we provided tips and advice on getting the right balance between home and work responsibilities wherever possible.

Teams who returned to working on-site were equally well-protected. In addition to flexibility in working hours, on-site inductions, signage and social distancing measures were underpinned by weekly lateral flow tests before the start of the week and random testing during the week. We also provided all members of staff with a personal Oximeter to allow them to easily test themselves and their households.

Our engineering teams applied their innovative spirit to working in an adapted way – going back to their old school to gain access to the right equipment locally or working from home, setting up workbenches in their homes with our support to ensure safety of the equipment.

Building the Creo family

During 2020 our employee base grew significantly to 217, up from 89 at the end of 2019, as we welcomed 87 new employees into the Creo family from the Albyn and Boucart acquisitions and expanded globally, recruiting 15 people to form our US and APAC team.

In addition to other learning and development pathways, our training and development is also focused on supporting our staff through their academic progress. Many of our engineers gained their PhDs whilst working for Creo through their research on our life-changing products. We work closely with a number of universities including Bangor University, where Chris Hancock holds a personal Chair in the Medical Microwave Systems Research Group and UCL, where Chris is a Royal Academy of Engineering Visiting Professor.

Health and safety

Health and safety is an important part of our culture and in 2020 we achieved a Silver ROSPA award recognising the processes we have established to date and our excellent accident record.

Supporting our communities

We actively encourage employees to get involved in local charitable activities. From food bank collections, donating Easter Eggs, or participating in charitable events, the team gets involved.

> **"When I went through a very difficult time it made such a difference to know that Creo was on my side. I didn't have to put on a brave face and struggle on; instead they arranged for me to have some wellbeing support which I am convinced was instrumental in my recovery."**
>
> **Creo employee**

Our culture and values

As we grow internationally our focus remains on retaining and nurturing our One Creo culture. This is fundamental to the way we work and we have distilled this into five core values:

Collaborative

- Collaboration makes being disruptive positive, beneficial and effective.
- Collaboration with our colleagues and business partners enables us to turn our creative ideas and inventions into real innovations.

Creative

- Our diverse team means that we create original and therefore more effective approaches to medical device challenges.
- This approach is borne from being inquisitive, always learning, and being passionate about turning ideas into reality.

Life changing

- Our aim is for medical devices to be simpler and safer to enable better patient outcomes that are less invasive.
- Our innovations and the clinicians who use them change lives for the better.
- We have an uncompromising adherence to ethical excellence.

Can-do

- We believe that our 'can-do' approach, the energy to take action and our hunger for solutions mean that we can succeed in our goals.
- We face challenges with the kind of courage that comes from a personal belief in not only what we are doing, but why we are doing it and what it means for the wider world.

Disruptive

- We challenge assumptions and the status quo.
- Our goals are nothing less than a paradigm shift in the medical device market and to deliver life-changing products.

Supporting our NHS – Creo Cycles

Having heard about frontline NHS workers walking for over an hour to get to work, in conjunction with BW Cycling in Bristol, Creo funded 100 bikes for frontline NHS workers to make their commute to work easier. 50 of the bikes were provided to workers at the Royal United Hospitals, Bath and 50 went to workers at Southmead Hospital, Bristol.

> **"Creo Medical has been very supportive in helping fund 100 bikes for NHS staff..."**
>
> **Andy Wadsworth**
> BW Cycling

Cycling is a passion for many of Creo's employees, and this was a simple and effective way we could make a difference within our community and with our customers.

Back to school

Utilising a number of 3D printers provided by Creo at the start of the COVID-19 pandemic, Ilan Davies, a graduate engineer within Creo's engineering group, returned to his old high school to create PPE face visors.

Ilan moved back home at the start of the pandemic to be with his family and, with the permission of his old school and in conjunction with the Menai Science Park in Anglesey, set up a workshop to produce free PPE for local hospitals, surgeries and care workers. In return, Ilan was able to use the facilities to continue his work for Creo whilst helping the school to showcase engineering to its pupils. Creo has since donated 3D printers to the school so the students can continue to benefit from the technology.

Ilan Davies

PPE

In addition to Ilan's efforts, we provided 3D printers for a number of employees to create PPE visors for frontline care staff.

Supporting our NHS – Ventilators

Utilising Creo's supply chain contacts, early on in the pandemic we were able to source and import 200 DPAP ventilators at a time when there was a shortage. With the assistance of a local charity together with direct efforts by Creo, many of the ventilators have been deployed in hospitals in Wales and England.

> **"Some of the ventilators sourced by Creo went to the COVID-19 wards at the Great Western Hospital in Swindon to literally help save lives!"**
>
> **Kath Hope**
> Founder & CEO at Hope2Sleep Charity

PPE – Spain

Working in conjunction with the Government of Navarra as part of Spain's COVID-19 response, Albyn Medical sourced, purchased and imported on behalf of the Government of Navarra 2.2 million Type IIR surgical masks, 850,000 N95 PPE masks and 11 million Nitrile Gloves for use on the front line of the Navarra Healthcare System and to help small and medium-sized companies which did not have access to PPE.

Scrubbing up

After reading that local hospital staff were desperate for scrubs and needed volunteers to help, one employee got to work. Equipped with a basic pattern, scissors and her sewing machine, Julie Forde used donated fabric (mainly bedding and curtains) to create sets of scrubs. Julie made over 20 sets of scrubs for local hospitals, and the staff were extremely appreciative.

Julie Forde

Governance

The Directors recognise the importance of sound corporate governance and are committed to maintaining high standards of corporate governance, not only to ensure compliance but to give employees a robust framework to work within.

We understand, however, that governance comes in many forms, and we have set out below some examples of how Creo seeks to ensure that good governance runs through the business.

QCA Code

In accordance with the London Stock Exchange's requirement for all AIM-quoted companies to adopt and comply with a recognised corporate governance code, the Board of Directors of Creo Medical Group plc adopted the Quoted Companies Alliance (QCA) Corporate Governance Code (Code). Page 63 of this report sets out how we comply with the provisions of the QCA Code.

Our Remuneration Committee and Audit Committee operate under terms of reference, copies of which are available to review on our website at https://creomedical.com/investors/corporate-governance/. In addition, the each Committee member has access to the relevant QCA guidance for the relevant Committee to ensure that the members are discharging their duties to the fullest extent possible.

Director Duties

Pages 44 to 47 of this report sets out details of how the Board of Directors discharge their duties under section 172(1) of the Companies Act 2006. Within this report we have included some example key decisions made during the year to give greater transparency of the Directors' decision making process.

Reporting

Creo is currently a SME and falls outside of many reporting regimes which larger companies are subject to. However, we already seek to work to the standards of a larger company and have a number of policies in place to assist with this such as anti-bribery, anti-tax avoidance and modern day slavery. We recognise that we are on the cusp of increased reporting requirements and are already working to increase awareness of those obligations and to have the processes in place to meet our enhanced reporting requirements as they arise.

Healthcare Compliance

With an increased and direct presence in the USA we will be subject to many governance requirements, despite our infancy. The team are well versed in US healthcare compliance rules and we have engaged with a US based Medtech specialist law firm to support the business as it grows and to put in place standard documents and procedures which the business can operate under.

In the UK we have become a member of the Association of British HealthTech Industries, which provides support and guidance on best practice for Medtech companies.

Our focus areas for 2021

What are our focus areas for 2021?

2020 was an unprecedented year. As we start to emerge from the pandemic, we aim to continue to raise the profile of ESG within the business.

Set out below are a number of initiatives that we intended to focus on.

We know our plans need to be dynamic and this isn't set in stone. However, we will continue to approach ESG in the same way that we approach all other business matters; with our proactive, 'can-do' attitude to make a difference and improve lives.

ENVIRONMENTAL

Focus Area	Where are we?
Environmental – waste and emission reduction	Early stages of data capture Actively encouraging recycling by employees within the business
Environmental – ISO14001:2015	BSI aware of intention to work towards ISO14001:2015 in 2021

SOCIAL

Focus Area	Where are we?
Social – making a positive impact in our communities	Local initiatives, many of which are employee driven Ad hoc events such as bike donations for NHS; sourcing COVID-19 ventilators, and PPE creation by employees Employees encouraged to undertake local community activities
Social – Employee wellbeing post COVID-19, including support on 'the return to normal'	Work from home and flexible working initiatives Lateral flow testing available on site Mental health support available

GOVERNANCE

Focus Area	Where are we?
Governance – Corporate Reporting	Currently considered an SME, therefore falling outside of many reporting regimes. Additional reporting obligations will apply and increase transparency within the business as our size and other metrics grow
Governance – Board Committees	Creo's Board is supported by an Audit Committee and Remuneration Committee, together with ad-hoc committees

Current policies and/or practices	2021 Objectives
Local administration of compliance	Formalise Group-wide environmental policy Formalise Group-wide recycling strategy across all offices to align with Chepstow HQ Ensure all relevant data is captured across the business to ensure full compliance reporting
French office holds ISO14001:2015 certification	Commence Group-wide project to work towards ISO14001:2015 standards, initially as a standalone system. Once achieved will consider how to integrate into Creo's ISO13451 management systems

Current policies and/or practices	2021 Objectives
Core group of employees involved on an informal basis Often not linked to Creo specific objectives	Formalise a charitable giving policy Formalise a volunteering policy Empower local community champions in each of our offices Annually identify one relevant local cause for each office to support
Homeworking policies Health & Safety policies, supplemented with COVID-19 specific rules	Continued support to all employees to adapt to the dynamic COVID-19 environment Review and, if necessary, update of policies and working practices to reflect the 'new normal' post COVID-19

Current policies and/or practices	2021 Objectives
Various policies such as Anti-Bribery, Modern Day Slavery/Transparency in Supply Chains, Anti-Tax Evasion	Monitor and identify additional reporting requirements which the Group may become subject to Review existing policies and procedures and, if necessary, update as part of our Group integration
Audit Committee Terms of Reference Remuneration Committee Terms of Reference	Review and, if necessary, update terms of reference for existing Board committees Consider, and if appropriate, create additional committees (such as a Disclosure Committee)

Engaging with our stakeholders

The Board ensures that the impact on each stakeholder group is carefully considered.

The Board of Directors' Statement on s172(1)

The Board of Directors (the "Board") considers that it acts and has acted at all times, both individually and collectively, in a way that would be most likely to promote the success of the Company for the benefit of its members as a whole

In line with the requirements of s172(1)(a-f) of the Companies Act 2006, below:

(a) the likely consequences of any decision in the long term;
(b) the interests of the Company's employees;
(c) fostering business relationships with suppliers, customers and others;
(d) the impact of the Company's operations on the community and the environment;
(e) maintaining a reputation for high standards of business conduct; and
(f) the need to act fairly between members of the Company.

The Board's strategy is to:

(a) develop technology and products for which there is a long-term clinical need and sizeable addressable markets (pages 12 to 15 set out further details around our addressable markets);
(b) ensure Creo has the appropriate infrastructure in place to support the development and commercialisation of such products;
(c) release products to the market in a measured and controlled manner to (i) minimise the risk of misuse and (ii) ensure products are customer sponsored for the long term (i.e. through clinical education and peer support by key opinion leaders); and
(d) deploy capital appropriately in support of (a), (b) and (c). – check consistency.

Stakeholder Engagement

The Board takes the concerns of its stakeholder groups into consideration in its discussions and decision making. In discharging the duty set out in Section 172(1) of the Companies Act 2006, the Board ensures that the impact on each stakeholder group is carefully considered by management when formulating all proposals requiring Board approval.

Understandably, due to the impact of the COVID-19 pandemic in 2020, the ability of the Board to engage with stakeholders has been constrained. Nevertheless, Creo has continued to receive regular, direct and indirect feedback from relevant stakeholders.

Set out on the next pages are, in the Board's view, Creo's key stakeholder groups, the key concerns of those groups and how the Board seeks to engage with them.

SHAREHOLDERS

Key concerns
- Growth and development of our product portfolio
- Deployment of capital against a clear strategy
- Corporate governance
- Environmental, social and governance

How we engage
- Regular communication with major shareholders, not least to ensure that they understand our strategy and business model
- Creo's Annual General Meeting ("AGM") offers an opportunity for shareholders to meet and have direct discussions with the Board
- Investor roadshows following the release of half and full-year results and attendance by Directors and employees at a number of investor and sector-specific conferences allow interested parties to have direct dialogue
- Timely and appropriate releases of business information via the RNS

EMPLOYEES

Key concerns
- Career development and remuneration
- Health & Safety and wellbeing
- Diversity
- Leadership

How we engage
- The executive team engage directly with all employees
- COVID-19 has required additional lines of communication. Clear team structures that the size of Creo's business now requires, facilitates effective delegation and reporting from and to the executive team. In addition, project-specific team structures are put in place when needed
- Employees are encouraged to take control of their career development, in line with the longer-term growth of Creo
- Building on existing measures within the business, during the reporting period we have bolstered measures to support the health and safety and wellbeing of all employees
- We continue to develop our performance management and to promote a culture of continuous improvement throughout the business
- All employees have the ability to raise grievances and to escalate concerns through our whistleblowing procedures

PARTNERS

Key concerns
- Quality products that meet clinical needs
- Competitive pricing
- Clinical education and support

How we engage
- Creo engages with key opinion leaders ("KOLs") around the world. Engagement starts before prototype devices are made to ensure we develop products that meet customers' identified needs and which they will ultimately use
- KOLs and clinicians provide feedback on our devices through design processes, usability studies and pre-clinical testing and analysis. This input assists strategic decision making to ensure capital is deployed on concepts and products that offer the greatest impact for our customers, their patients and ultimately, Creo's business
- Creo's Clinical Education Programme provides real-time feedback from the initial use of devices
- Creo's expanded direct sales team offers support to all customers

BUSINESS PARTNERS/ SUPPLIERS

Key concerns

- Strong relationships
- Clear and ongoing dialogue to allow effective business planning
- Financial strength
- Regulatory compliance

How we engage

- We interact in an ethical and equitable manner with all business partners and suppliers
- We strive to have an open, constructive and effective relationship through regular meetings and dialogue, recognising this is beneficial for the whole supply chain
- Our procurement team focus on building long-term supply chain relationships, through open engagement and dialogue
- Internal resource to ensure we directly engage with regulators

COMMUNITY AND THE ENVIRONMENT

Key concerns

- Safety
- Sustainability
- Community contribution

How we engage

- We actively seek to engage with local government networks, with the intention of making a positive economic impact on the region
- Where possible, we try to source locally to support our community
- Our Clinical Education Programme provides our clinical community the opportunity to further their practice which, in turn, benefits their patient community
- Our procurement team focus on building long-term supply chain relationships where possible with local suppliers or the wider community, through open engagement and dialogue
- Internal resource to ensure we directly engage with regulators

Key decisions

An overview of certain principal decisions during the reporting period, including how the Board has taken into account the factors set out in Section 172 of the Companies Act 2006, is set out below:

OUR COVID-19 RESPONSE

Actions

- Identified the COVID-19 risk early, taking firm and immediate action
- Implemented a COVID-19 levels matrix, employee guidance and working protocols to allow the team to manage and flex the business depending on external risks
- Provided equipment and support for remote working
- Provided equipment and materials to allow PPE manufacturing in the early pandemic stages. Encouraged community support
- Sourced and provided ventilators to local hospitals
- Funded 100 bikes to allow key workers to commute to work in the early days of the pandemic

Key stakeholder group considerations

- **Employees** – employee safety and wellbeing was our immediate priority and concern. All staff were provided with guidance and support
- **Shareholders** – considered the finance risk posed by COVID-19 and mitigated this by identifying employees who could be furloughed, balancing the conflict of employee furlough impact with long-term growth
- **Shareholders** – ensured that our COVID-19 response was communicated via a trading update
- **Community** – considered what Creo could do to help the community and encouraged employees to assist with the COVID-19 response, e.g. giving permission for employees who were qualified nurses to return to the NHS, providing staff with 3D printers for PPE creation, but also by supporting our customers (see below) we could support the community
- **Customers** – considered how we could assist customers by sourcing ventilators and providing bikes for key workers

see pages 40 to 41

ACQUISITIONS

Actions

- Acquired Albyn Medical
- Acquired Boucart Medical
- Utilised internal and external resource to undertake due diligence on targets

Key stakeholder group considerations

- **Shareholders** – deployed capital to provide the business with a direct to market infrastructure in multiple European jurisdictions, additional talent and complementary products. Considered the impact on the valuation of Creo's shares post acquisition
- **Shareholders** – evaluated that the acquisitions reflected the needs of the business and that the revenue acquired would be secure in the short and medium term to assist Creo to move to a break-even position, not least given market adjustments due to COVID-19
- **Employees** – provided employees, both existing and acquired, with additional opportunities for career development and growth
- **Customers** – considered whether the acquisitions would assist Creo's route to market and customer interactions. Both acquisitions provide a direct presence in key European markets for direct sales
- **Customers** – considered the impact on the acquisitions with existing distributors of Creo's products
- **Regulators** – Albyn's presence within the EU provides Creo with an EU authorised representative for CE compliance

see pages 34 to 35

US EXPANSION

Actions

- Established Creo's direct presence in the USA
- Identified the need to recruit a senior, market respected leader, to establish and manage a US team. Recruited David Woods as CCO
- Rapidly expand the team with sales persons, clinical and product support expertise and back office staff

Key stakeholder group considerations

- **Shareholders** – delivery on the expectations set out in the 2019 fundraising. The direct presence gives immediate customer feedback on product needs and gives greater control to the roll-out of technology
- **Employees** – increased commercial and sales team members bring additional support to existing employees and creates greater structure and career opportunities. Great talent attracts great talent
- **Community** – a direct presence gives further access to the communities in which our products are to be utilised. The intention is that as the US presence grows, additional ESG efforts can be made in these communities also
- **Customers** – local access to staff gives customers in the key US market the confidence in Creo's ability to deliver quality products, building on existing relationships

see pages 28 to 29

Commercial footprint established via acquisitions and organic growth

> We have made significant progress in establishing a longer-term sales channel.

Richard Rees
Chief Financial Officer

I am pleased to announce our fourth Annual Report and accounts since our IPO on AIM in 2016. The adversity faced by the business from COVID-19 has, in part, been mitigated through the strength of the balance sheet following the 2019 fund raise. Applying this funding in line with the objectives set out in 2019 to acquire Albyn Medical and Boucart Medical brings immediate revenue and positive cash flow to the Group, strengthens the business and confirms Creo as a platform for future growth.

Revenue and other income

Despite COVID-19 disrupting sales channels and restricting access to clinical training and travel, the Group has made significant progress in establishing a longer-term sales channel through new products as well as development of our commercial footprint via acquisitions and organic growth. We secured distribution contracts in the APAC region, developed our sales team in the US headed by David Woods (Chief Commercial Officer, formally of PENTAX), acquired Albyn Medical Group to provide additional cashflow, access to European markets and sales expertise throughout Europe and further enhanced our European presence with the acquisition of Boucart Medical.

Revenues billed in the period in relation to Speedboat and CROMA totalled £0.1m of which £39k has been recognised as revenue with the balance accounted for below the line in administrative expenses. Since the acquisition of the Albyn Medical SL, the Albyn Group of the business generated £9.4m in the five-month period since 24 July 2020.
Other operating income of £0.05m in the 12-month period to 31 December 2020 (December 2019: £0.1m) relates to research grants.

Operating loss

The operating loss for the period increased to £23.5m (December 2019: £18.9m), reflecting the increased operating expenses in relation to clinical and development activities together with further investment in headcount and business infrastructure to support the business and enable it to continue to develop and commercialise its technology. This continued investment in the business will support anticipated growth and development in the coming periods.

The underlying operating loss (also referred to as adjusted EBITDA) for the period was £18.0m (December 2019: £14.0m).

Whilst EBITDA is not a statutory measure, the Board believes it is helpful to include for investors as an additional metric to help provide a meaningful understanding of the financial information as this measure provides an approximation of the ongoing cash requirements of the business as it continues to pursue its future development and begins to commercialise its approved products. The adjusted EBITDA position excludes share-based payment expenses which are non-cash and incorporates the recovery of research and development expenditure which the Group is able to benefit from through R&D tax credit schemes.

(All figures £)	**31 December 2020**	31 December 2019
Operating loss	**(23,484,062)**	(18,875,378)
Loss before income tax	**(23,461,805)**	(18,615,381)
Total comprehensive loss for the period	**(20,744,241)**	(15,911,150)
Underlying operating loss adjustments:		
Share-based payments	**728,145**	1,554,845
Depreciation and amortisation	**1,596,419**	641,725
R&D expenditure recovered via tax credit scheme	**3,146,080**	2,710,239
Underlying operating loss (non-statutory measure)	**(18,013,418)**	(13,968,569)

£(23.5)m
Operating loss

£9.4m
Revenue

Tax
The tax credits recognised in the current and previous fiscal year relate solely to R&D tax credit claims. A deferred tax asset has been recognised in respect of the business combination relating to our Albyn subsidiaries. A deferred tax asset has yet to be recognised for the losses of Creo Medical Limited due to the uncertainty over the timing of future recoverability.

Expenses
Administrative expenses comprising R&D, operational support, sales and marketing, and finance and administration costs totalled £27.1m (December 2019: £19.0m). Adjusting for share-based payments, depreciation, amortisation and tax income as shown in the table above, underlying administrative expenses are £21.7m (December 2019: £14.0m).

This annualised increase of £8.1m reflects the continued investment made by the Group in clinical and development activities and the move from small discrete production batches into full-scale manufacturing. Personnel costs continue to be the largest expense and represent approximately 60% of the Group's underlying administrative expenses.

Loss per share
Loss per share was 13 pence (December 2019: 13 pence).

Dividend
No dividend has been proposed for the period to 31 December 2020 (31 December 2019: £nil).

Cash flow and balance sheet
Net cash used in operating activities was £16.3m (December 2019: £11.8m), driven by the continued investment in research and development of new devices, establishing a US and APAC presence. Net cash used in investing activities was £21.0m (December 2019: £0.8m) driven by the acquisition of Albyn and Boucart to bolster market access and sales expertise.

Total assets at the end of the period increased to £93.5m (31 December 2019: £88.3m), a 5.9% increase, reflecting the increase in assets and goodwill as a result of the business combination, offset by the operating cash outflow for the period. Cash and cash equivalents at 31 December 2020 was £45.1m (31 December 2019: £81.0m). Net assets were £62.8m (31 December 2019: £82.6m), a 25% decrease due to liabilities associated with the business combination.

Accounting policies
The Group's financial statements have been prepared in accordance with International Financial Reporting Standards. The Group's accounting policies have been applied consistently throughout the period and are described on pages 86 to 94.

Principal risks and uncertainties
The principal risks and uncertainties facing the Group are set out on pages 50 to 55.

Directors
Details of the Directors who served during the period ending 31 December 2020 are set out on pages 58 to 59. Six of the Directors serving on the Board at the year end were male with one female.

Conflicts of interest
To address the provisions of Section 175 of the Companies Act 2006 relating to conflicts of interest, the Company's Articles of Association allow the Board to authorise situations in which a Director has, or may have, a conflict of interest. Directors are required to give notice of any potential situations or transactional conflicts that are to be considered at the next Board meeting and, if considered appropriate, conflicts are authorised. Directors are not permitted to participate in such considerations or to vote regarding their own conflicts.

Richard Rees
Chief Financial Officer

Approach to managing risk

The Audit Committee formally reviews the effectiveness of the Group's risk management processes and internal control systems on behalf of the Board. The Board has overall responsibility for risk management and internal controls. Our risk management process is designed to identify, evaluate and mitigate significant risks to the business.

Although we believe that our risk management procedures are adequate, the methods used to manage risk may not identify current or future risks or the extent of future exposures.

COMMERCIAL, OPERATIONAL, REGULATORY AND LEGAL RISKS

Risk	Description	Mitigation	Movement
Market acceptance of current and new products	There can be no assurance that our technology will prove to be an attractive addition or alternative to existing surgical devices. Conversely, the business needs to be able to scale up in the event of rapid adoption of our products. The development of a market for our products (and the timing of this) is affected by many factors, including: (i) the emergence of newer, more competitive technologies and products; (ii) the cost of our products; (iii) regulatory requirements; (iv) customer perceptions of the efficacy and reliability of our products; and (v) customer reluctance to buy a new product.	▶ We engage with Key Opinion Leaders and clinicians on the development of our products, gathering feedback in order to develop products that meet their needs. ▶ Our Clinical Education Programme is designed to educate clinicians on the safe and effective use of our products. ▶ We continue to develop our product portfolio beyond the initial suite of products to give depth and breadth to the business. ▶ We have designed the business to be scalable, for example with the management structure, facilities and our approach to training clinicians. ▶ Our strategy to work through multiple channels to market will share some risk with third-party distributors.	▼
Product development	Much of our future revenues will depend on our ability to continue to develop new products. These products may take longer to develop than planned, require more resources or may pose technical challenges that we cannot solve.	▶ New product development is complementary to work already being undertaken by the business. We are therefore able to leverage existing skills and knowledge. ▶ The Creo team has a depth of knowledge and experience in the devices that it is developing. ▶ We plan to allow select third parties to develop devices that are compatible with Creo's CROMA Advanced Energy Platform to exploit Creo's Kamaptive Technology. In doing so, product development risks are passed to third parties whilst increasing the end user's ability to exploit the benefits of Creo's platform technology.	▼

Risk	Description	Mitigation	Movement
Regulatory risk	Our products are regulated by national and regional medical device regulations; there can be no assurance that we will receive regulatory approvals on a timely basis, or at all. There may also be regulatory changes that could require additional studies and a need to resubmit products to the regulatory authorities. We also need to comply with ongoing regulatory requirements, such as to maintain a quality system, for which we are subject to periodic inspections (scheduled and unscheduled), restrictions in relation to promotional materials and post-market safety surveillance programmes. Reimbursement of medical devices in Europe is determined on a country-by-country basis, at a national level or, in some cases, by regional authorities within countries. Securing reimbursement may require us to collect and disseminate further data to demonstrate the clinical value and cost-effectiveness of our products, and there can be no assurance that the reimbursement process will be successful. Now the UK have left the EU, the UK may require new standards to the prevailing CE/UKCA standards requiring additional regulatory approval of our products before they can be offered for sale in the UK.	▶ We have CE marking for six of our devices as well as our CROMA platform, and FDA clearance for our Speedboat Inject, MicroBlate Fine, MicroBlate Flex and SlypSeal Flex devices in addition to the CROMA Advanced Energy Platform. ▶ Our QMA team is focused on the regulatory needs for product development and develops quality documentation to support all regulatory applications. ▶ We are ISO: 13485 accredited and are subject to regular audits from bodies such as ISO and BSi. ▶ All documentation is stored and available should any resubmission be necessary, and our quality systems are designed to be sufficiently robust to withstand any necessary scrutiny. ▶ We are working with local distribution partners to mitigate exposure to reimbursement risk. Local distributors will identify the pricing locally to establish whether a particular market is worth pursuing. ▶ Our CE registrations have been novated to BSi in the Netherlands. We have local expertise and knowledge of European authorities through our Albyn team. ▶ We continue to monitor the UK's regulatory landscape post Brexit and will take necessary actions to register products in any alternative UK-based system as and when required.	▼
Risks relating to IP, proprietary rights and confidential information	We rely primarily on a combination of patents and proprietary knowledge, as well as confidentiality procedures and contractual restrictions to establish and protect our proprietary IP rights. There can be no assurance of obtaining new patents, or that existing patents will provide us with sufficient protection in the case of an infringement of our technology or that others will not independently develop comparable or superior technology. We may inadvertently infringe a third party's patent, which could lead to litigation, the requirement to obtain a licence, or the need to cease development or commercialisation of the infringing technology or product.	▶ We have a long-standing track record of IP generation and successful applications, and have a long-standing relationship with our patent agent who has a deep understanding of our technology and the medical device sector and who advises us on the application and execution of patents. ▶ We undertake freedom to operate searches at the early development stages of a new device and seek to ensure all devices are covered by strong IP coverage. ▶ There is an ongoing review of terms and conditions with third parties to ensure that IP rights are retained and protected wherever possible.	◀▶
IT security	The risk of industrial hacking for sensitive information and/or with the intention of deliberate malice resulting in disruption to the business. In the event of a data breach the Group is liable to be fined for a breach of GDPR legislation.	▶ A Director of IT has been engaged to ensure we minimise any potential cyber-security risks. ▶ Strong IT security measures have been implemented and are reviewed to ensure that we are adequately protected. ▶ The Company holds limited personal and sensitive data and policies are in place that are designed to ensure compliance with GDPR.	▲

COMMERCIAL, OPERATIONAL, REGULATORY AND LEGAL RISKS continued

Risk	Description	Mitigation	Movement
Product liability or other legal risks	Criminal or civil proceedings might be filed against the Group by study subjects, patients, the regulatory authorities, other companies and any other third party using or marketing our products. If we cannot successfully defend ourselves against product liability claims, we may incur substantial liabilities or be required to limit commercialisation of our products if approved. Successful defence of any such claims could require significant financial and management resources.	▶ A number of our products have obtained approvals/clearance from third-party regulatory bodies in the EU and United States. ▶ Our design process seeks to mitigate issues by including preclinical and clinical trials in the development of our products. ▶ We invite input from Key Opinion Leaders on product development and their needs. ▶ Our QMS system is designed to comply with ISO 13485. ▶ We review our insurance coverage annually. ▶ Our Clinical Education Programme is designed to educate clinicians on the safe and effective use of our products.	▲
Dependence on key executives and personnel	The future success of the Group will depend in part upon the expertise and continued service of certain key executives and technical personnel. In particular, Professor Chris Hancock has been, and remains, essential to the development of the Group. Our ability to successfully develop commercial products will also depend on our ability to attract and retain suitable personnel.	▶ We have implemented a share option scheme to retain key employees and enter into contracts that contain limited non-competition provisions with key personnel. ▶ We have taken great steps over the last 12 months to continue to recruit more people across the whole business. ▶ Our HR team is focused on obtaining, developing and managing talent within the business. ▶ By capturing IPR through patent applications, we are able to ensure ownership of knowledge and create foundations for our product pipeline.	◀▶
Dependence on distributors in certain geographical areas	Sales of our products depend, in part, on the financial resources, expertise and clients of our distributors, agents and other channel partners. We cannot ensure that we will be able to retain our distributors, renew existing distribution agreements on commercially favourable terms, enter into new distribution agreements for target geographical markets or that distribution partners will dedicate the resources necessary for the commercial success of our products.	▶ We have signed a number of new distribution agreements in Asia and, following the acquisitions of Albyn Medical and Boucart Medical, we have a direct route to key European markets to support certain existing and new distributor relationships. ▶ We have recruited employees with direct and relevant experience in sales in the medical device sector. They are responsible for establishing distribution partners in key territories as well as developing a direct sales team.	▼

Risk	Description	Mitigation	Movement
Dependence on key suppliers and internal resource to manufacture products	The manufacture of our products involves a number of parts, some of which may only be available from a limited number of third parties and/or rely on key internal processes within the business. Failure by a third party to deliver components or a third party ceasing to manufacture components could result in delays in the manufacture of products or the need to redesign certain elements.	▶ Wherever possible we seek to have a number of suppliers for components. As we move to manufacturing, we are seeking to ensure that all critical components have at least two sources. ▶ We have engaged with outsourcing partners to assist with part or all of certain manufacturing processes. ▶ We have designed our manufacturing to be scalable and have a number of operatives trained in all aspects of manufacturing. ▶ Our procurement teams are working to identify alternative and complementary suppliers to ensure that our supply chain is robust.	▼

POLITICAL RISKS

The UK's exit from the European Union	We face risks in relation to the political and economic instability associated with the UK leaving the European Union, as well as potential changes to the legal framework applicable to our business.	▶ Our strategy is not to focus solely on EU markets. Alongside the EU, we will focus on the UK and the US along with other markets. ▶ We monitor developments on an ongoing basis to allow the business to react when necessary. ▶ Employees that are not UK citizens have the right to work in the UK, and our HR team manages processes to ensure that this will continue to be the case post Brexit. ▶ The addition of Albyn Medical and Boucart Medical within the Group provides a direct presence and entry point to the EU market.	▼
Events taking place in other jurisdictions may adversely impact on Creo's ability to market products	We face certain geopolitical risks in relation to countries seeking to on-shore or pursuing a 'buying local' policy which could fetter international sales of products manufactured outside of such countries.	▶ We have established a US subsidiary to assist with product exploitation in the US. ▶ We have established subsidiaries in Australia and Singapore to assist with product exploitation in the APAC region. ▶ Local distributors are engaged to seed local markets and generate initial demand of products therefore giving us a local presence with established persons.	▲

PANDEMICS, NATURAL DISASTERS AND PROPERTY LOSS

Risk	Description	Mitigation	Movement
COVID-19	There is significant uncertainty worldwide in relation to the social and economic impact from the spread of Coronavirus (COVID-19) and the various national responses. National travel restrictions and social distancing measures will prevent Creo personnel from visiting countries where restrictions are in place and will limit potential users of our products from attending training and/or trainers from providing training on the safe use of our products. Medical resources at national and local levels will be focused on mitigating the impact of COVID-19 rather than undertaking non-urgent or elective procedures that would otherwise be able to utilise our products. There are restrictions on the ability of sales representatives to attend customer sites. Should personnel become infected or show symptoms, they will be required to self-isolate and/or take extended time off work. National social distancing responses require alternative working methods (i.e. home-working) which may not be suitable for all employees.	▶ The business is continually monitoring the development of COVID-19 and the possible impact it could have on our business. We are seeking to comply with and, where possible, go beyond government guidance as issued from time to time. ▶ Guidance has been provided to all employees on the steps that they need to undertake to mitigate the risk of Coronavirus spreading between employees.	
Events beyond the control of the management of the Company may have adverse effects on the business	The possible threat of natural disasters affecting the ability to trade and manufacture.	▶ The Company property is well secured and we have taken reasonable steps to protect the contents. ▶ A disaster recovery plan has been developed.	

FINANCIAL RISKS

Risk	Description	Mitigation	Movement
Availability and terms of additional financing required	Our financing requirements depend on numerous factors, including the rate of market acceptance of our technologies and our ability to attract customers. We may be unable to obtain adequate financing on acceptable terms, if at all, which could cause us to delay, reduce or abandon research and development programmes or hinder commercialisation of some or all of our products.	▶ The 2019 fund raise added significant strength to the balance sheet to allow Creo to achieve its near-term objectives. ▶ We work closely with a number of agencies and bodies to maximise the amount of grant funding that is available to assist with our technological development while minimising our spend. ▶ The acquisition of Albyn Medical has already and is forecast to continue providing the Group with positive cashflows to assist with reducing cash burn. ▶ A significant amount of our development spend is subject to research and development tax relief. ▶ We also have in place controls and procedures to manage expenditure in line with budgets.	▲
Foreign exchange rate fluctuations	We record transactions and prepare our financial statements in Sterling, but a substantial proportion of our income is expected to be received in US Dollars and Euros. We also incur some expenditure in US Dollars and other currencies. To the extent that the Group's foreign currency assets and liabilities are not matched, fluctuations in exchange rates may result in realised or unrealised exchange gains and losses on translation of the underlying currency into Sterling.	▶ We enter into various derivative financial instruments to manage our exposure to foreign exchange risks, including forward exchange contracts and cross-currency swaps as are required from time to time. ▶ We hold various currencies in different jurisdictions and utilise these to settle liabilities in the local currency to reduce our exposure to Forex risk.	▲

The Strategic Report was approved by the Board of Directors on 3 June 2021 and was signed on its behalf by

Richard Rees
Chief Financial Officer
3 June 2021

The Directors recognise the importance of sound corporate governance

and are committed to maintaining high standards of corporate governance.

CORPORATE GOVERNANCE

Board of Directors

Executive Directors

Craig Gulliford
Chief Executive Officer

Craig was a founding angel investor in Creo Medical and became CEO in 2012. Craig qualified with an MSc in Electronic Engineering from the University College of North Wales.

Craig's early career developed in the Middle East, working with large corporates delivering complex commercial projects. Craig has over 25 years' experience in building international businesses from early stage through to significant scale. In January 1999, Craig joined a start-up software and hardware business where, as COO, he was part of a small team that grew the company both organically and through acquisition, from a loss-making start-up to a profitable business delivering significant shareholder returns and an exit in 2007.

Craig is Chairman of Humankind Ventures Limited and a Non-Executive Director of I.Q. Endoscopes Limited.

Professor Christopher Hancock
Chief Technology Officer

Chris is the founder of Creo Medical and has over 25 years' experience in medical device development, including four years at Gyrus Group plc in his role as Senior Engineer.

Chris holds a personal Chair in the Medical Microwave Systems Research Group at Bangor University. Chris is a Fellow of the Institute of Physics, a Chartered Physicist, Fellow of the Institute of Engineering and Technology, a Chartered Engineer and a Senior Member of the Institute of Electrical and Electronics Engineers. Chris is also a Royal Academy of Engineering Visiting Professor at UCL and was awarded the Katherine Burr Blodgett Gold Medal and Prize in 2018 for work on Creo's CROMA Advanced Energy Platform technology. Chris is a named inventor and lead author on over 1,000 granted patents, patent applications and international journal publications.

Richard Rees
Chief Financial Officer

Richard joined Creo Medical as CFO in July 2016. Prior to joining Creo, Richard was CFO of SPTS Technologies, a UK-based, global manufacturer of semiconductor capital equipment. In 2011, Richard was part of the SPTS Technologies' management team that, together with Bridgepoint Capital, acquired SPTS Technologies for $200m from Sumitomo Precision Products. In 2014, SPTS Technologies was acquired by Orbotech Ltd for more than $350m.

Prior to joining SPTS Technologies, Richard spent seven years at KPMG in audit.

David Woods
Chief Commercial Officer

David joined Creo as CCO in August 2020, having previously sat on Creo's Board as a Non-Executive Director. David provides leadership and strategic direction for Creo's commercial divisions, overseeing all strategic global commercial activities.

David is an industry veteran within the MedTech sector. His experience encompasses Gastroenterology, General and Orthopaedic Surgery, Pulmonology and Ear, Nose and Throat.

Prior to joining Creo, David was the President and CEO of PENTAX Americas and M&A Director of HOYA Group PENTAX Medical. David brings significant operating experience, market understanding and a proven track record of achievement to the Creo team at a crucial time when Creo is moving from early clinical adoption to global commercialisation expansion.

David was awarded the American Society for Gastrointestinal Endoscopy President's Award in 2010, recognising exceptional contributions to the society and its mission.

Non-Executive Directors

Charles Spicer

Chairman

Charles is an experienced director of public and private companies, primarily in the MedTech sector. He is also Chairman of IXICO plc, MJ Hudson Group plc and Korn Wall Limited (KwickScreen). In addition, Charles is Chair of the UK Department of Health's Product Development Awards Selection Panel B for Invention for Innovation (i4i). He served as a director of Aircraft Medical (acquired by Medtronic Inc. in 2015) and Stanmore Implants (acquired by Stryker Inc. in 2016). Charles was previously Chief Executive of MDY Healthcare plc, a strategic healthcare investor and, prior to that, Head of Healthcare Corporate Finance at both Numis Securities and Nomura International.

Charles is a member of Creo's Audit Committee and previously chaired Creo's Remuneration Committee prior to the appointment of Ivonne Cantu on 1 February 2020.

John Bradshaw

Independent Non-Executive Director

John is a chartered accountant with more than 25 years' experience as a chief financial officer with venture capital backed and listed companies. John is the Chief Financial Officer of Syncona Investment Management Limited, the Investment Manager of Syncona Limited, a FTSE 250 listed life sciences investment company. John is a Non-Executive Director and Audit Committee Chair of AIM listed IXICO plc.

John chairs Creo's Audit Committee and is a member of the Remuneration Committee.

Ivonne Cantu

Independent Non-Executive Director

Ivonne joined Creo's Board on 1 February 2020. Ivonne has extensive experience in corporate finance acting as a corporate finance adviser to UK and international companies for more than 20 years at Cenkos Securities plc and previously at Merrill Lynch.

Ivonne is currently Director of Investor Relations and Corporate Development at Benchmark Holdings plc, an AIM listed aquaculture technology company. Ivonne is also a trustee of La Vida, a UK charity established to help disadvantaged people residing permanently in Latin America, in particular, by preserving and protecting health, relieving sickness, relieving poverty and advancing education.

Ivonne holds a BSc in Engineering from Universidad Panamericana in Mexico and an MBA from the Wharton School of Business.

Ivonne chairs Creo's Remuneration Committee and is a member of the Audit Committee.

Directors' report

The Directors present their report together with the audited consolidated financial statements for the 12 months to 31 December 2020. These will be laid before the shareholders of the Company at the next Annual General Meeting (AGM).

Creo Medical Group plc (admitted to the AIM market of the London Stock Exchange (LSE:CREO)) is incorporated in England and Wales, registration number 10371794.
The Company's registered office is at Creo House, Unit 2, Beaufort Park, Beaufort Park Way, Chepstow, Wales, United Kingdom NP16 5UH.

Principal activity

The principal activity of the Group during the period continued to be that of research and development and the manufacture and sale of medical devices and instruments. The principal activity of the Company is that of a holding company.

Results and dividends

The results of the Group for the 12 months to 31 December 2020 are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on page 82.

The Directors do not recommend the payment of a dividend.

Review of the period

A summary of the Group's progress and development is set out in the Chairman's Statement, the Chief Executive's Statement, the Chief Technology Officer's Statement, the Chief Commercial Officer's Statement and the Financial Review, which form part of the Strategic Report on pages 6, 8, 18, 26 and 48 respectively. This analysis includes comments on the position of the Group at the end of the reporting period, an indication of likely future developments in the business of the Group and details of the Group's activities in the field of research and development and the steps taken to commercialise its technology.

Directors

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

- Professor Christopher Paul Hancock
- Craig Jonathan Gulliford
- Richard John Rees
- David Gerard Woods
- Charles Alexander Evan Spicer
- John Bradshaw
- Ivonne Maria Gloria Cantu (appointed 1 February 2020)

Directors' interests and indemnity arrangements

The Directors' interests in the shares of the Company are disclosed in the Remuneration Report on pages 69 to 73.

In accordance with Section 234 of the Companies Act 2006 and as permitted by the Articles of Association of the Company, the Company maintained insurance throughout the year for its Directors and officers against the consequences of actions brought against them in relation to the execution of their duties for the Company.

No Director had, during or at the end of the year, a material interest in any contract which was significant in relation to the Group's business except in respect of service agreements and share option awards and as disclosed in the Directors' Remuneration Report on pages 72 to 73. It is noted that until 31 July 2020, David Woods was the President and CEO of PENTAX Americas and M&A Director of HOYA Group PENTAX Medical, a significant shareholder of Creo Medical Group plc and with whom during the reporting period the Company had agreements in place for the distribution of its products in key markets in the Asia-Pacific region and Germany, France and Italy. David Woods commenced full-time employment with the Group as of 1 August 2020.

The Company has not granted any indemnities to any of its Directors against liability in respect of proceedings brought by third parties.

Share capital

Details of the Company's issued share capital are shown in Note 21 to the consolidated financial statements.

The share capital comprises one class of ordinary shares and these are admitted on the AIM market of the London Stock Exchange. As at 31 December 2020, 157,891,181 fully paid ordinary shares were in issue.

All shares are freely transferable and rank pari passu for voting and dividend rights.

Substantial holdings

As at 31 December 2020, shareholders holding more than 3% of the share capital of Creo Medical Group plc were as follows:

Name of shareholder[1]	Number of shares	voting rights %
Canaccord Genuity	26,720,201	16.92
Baillie Gifford	13,337,976	8.45
Finance Wales Investments	12,776,727	8.09
M&G Investments	8,333,000	5.28
AXA Framlington Investment Managers	7,302,009	4.62
Tellworth Investments	5,793,911	3.67
Capital Group	5,440,967	3.45
Fidelity International	5,000,778	3.17
HOYA Corporation	4,799,880	3.04

1. Information taken from 31 December RD:IR Equiniti Analysis.

Save as referred to above, the Directors are not aware of any persons as at 31 December 2020 who were interested in 3% or more of the voting rights of the Company or could directly or indirectly, jointly or severally, exercise control over the Company.

Financial risk management objectives and policies

The Company's financial risk management objectives and policies are shown in Note 18 to the consolidated financial statements. The main risks arising from the Company's financial instruments are interest rate risk, exchange rate risk, credit risk, and liquidity risk, which are continuously monitored by the Board.

Political contributions

The Company made no political donations or incurred any political expenditure during the year.

Disclosure of information to auditor

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

Other information

An indication of likely future developments in the business can be found in the Stetegic Report on page 16. Significant events which have occurred since the end of the financial year have been included in Note 28 of the consolidated financial statements.

Auditor

KPMG LLP was reappointed as auditor during the period, in accordance with Section 489 of the Companies Act 2006. The Company has decided to re-tender for 2021 as the RI is changing. KPMG LLP will not participate in the tender process for the 2021 audit.

By order of the Board

Richard Rees
Director

Creo House
Unit 2, Beaufort Park
Beaufort Park Way
Chepstow
Wales
NP16 5UH
3 June 2021

Statement of Directors' responsibilities in respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law and they have elected to prepare the Parent Company financial statements in accordance with UK accounting standards and applicable law, including FRS 101 *Reduced Disclosure Framework.*

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of the Group's profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Corporate governance report

The Directors recognise the importance of sound corporate governance and are committed to maintaining high standards of corporate governance.

In accordance with the London Stock Exchange's requirement for all AIM-quoted companies to adopt and comply with a recognised corporate governance code, the Board of Directors of Creo Medical Group plc adopted the Quoted Companies Alliance *(QCA)* Corporate Governance Code *(Code)*.

The Board is of the unanimous opinion that the Company complies with the Code and any divergence from the Code (details of which are set out below) are, in the circumstances, reasonable, appropriate and in the best interests of Creo's stakeholders as a whole.

Notwithstanding the challenges faced from COVID-19, governance and compliance have remained a key focus for the Board of Creo during 2020.

The Quoted Companies Alliance Corporate Governance Code

The Code is constructed around 10 principles, taking key elements of good governance and applying them in a manner which is workable for the needs of a growing company in pursuit of medium to long-term value creation for shareholders. Each principle is set out below, together with a commentary of Creo's compliance. To the extent that an explanation of Creo's compliance set out against one principle is equally as relevant against another principle, the explanation is deemed to apply to all relevant principles.

Deliver growth

1. ESTABLISH A STRATEGY AND BUSINESS MODEL WHICH PROMOTE LONG-TERM VALUE FOR SHAREHOLDERS

Creo is an advanced energy medical device company. Focused on the development and commercialisation of minimally invasive medical devices, Creo's mission is to improve patient outcomes by applying advanced energy to surgical endoscopy. Creo's CROMA Advanced Energy Platform delivers bipolar RF for precise localised cutting and microwave energy for controlled coagulation. Creo's advanced energy enables single-use surgical accessories to be optimised for the dissection, resection, haemostasis and ablation of tissue in multiple areas of therapy.

Our strategy is to bring the CROMA Advanced Energy Platform to market through a suite of both multi and single modality, single-use medical devices which we have designed, initially for the emerging field of GI therapeutic endoscopy. Through the development of our CROMA Advanced Energy Platform and the continued evolution and invention of innovative medical devices, we believe our technology can impact the landscape of surgery and endoscopy by providing safer, less invasive and more cost-efficient treatment options.

To achieve our goal, we:

- Invest in developing and protecting our strong intellectual property portfolio, comprising, in total, 247 granted patents and 763 pending applications;
- Recruit staff with a strong pedigree from the MedTech and other relevant sectors, with depth of expertise spanning R&D, quality, regulatory approval and commercialisation;
- Invest in the development of our people by supporting ongoing academic qualifications and promoting an entrepreneurial and collegiate working environment; and
- Nurture long-term strategic relationships with:
  - Eminent clinicians and key opinion leaders practising in our fields of interest around the world;
  - Distribution partners to give us scalable geographical reach into key markets; and
  - Shareholders to ensure that we have access to the support and capital that we need to achieve our goal.

We face a number of challenges in the execution of our strategy. These include but are not limited to:

- Uncertainty that our technology will be an attractive addition or an alternative to existing surgical devices. This is mitigated by engaging with key opinion leaders to gather relevant feedback and develop products that meet clinical needs. We also provide education on the safe use of our products through our Clinical Education Programme; and
- Uncertainty that we can obtain regulatory clearances for products in a timely manner (if at all). To mitigate this, we employ a dedicated team focused on the regulatory requirements of products and who provide the necessary documentation to support our regulatory applications.

COVID-19 has had a global impact on all business. For Creo, users of our products have been redeployed to help to provide healthcare services and support to COVID-19 patients, delaying elective procedures. Worldwide travel restrictions have hampered our ability to meet and train clinicians on the safe use of our products. Nevertheless, as a business we have continued to focus on what we are able to do within the restricted environment in which we find ourselves, focusing on core areas of product development.

Further detail on the principal risks and uncertainties that may affect the business are set out in more detail on pages 50 to 55.

2. SEEK TO UNDERSTAND AND MEET SHAREHOLDER NEEDS AND EXPECTATIONS

We encourage active communication with all shareholders to ensure our strategy and business model is understood and to aid our understanding of any concerns that shareholders may have. The Board believes that this active engagement provides a stable shareholder base for the long term.

Whilst COVID-19 restrictions have limited our ability to meet shareholders in person during 2020 we have continued to engage with our institutional shareholders through the use of virtual meeting spaces and have provided timely updates to the market via the RNS on our activities.

3. TAKE INTO ACCOUNT WIDER STAKEHOLDER AND SOCIAL RESPONSIBILITIES AND THEIR IMPLICATIONS FOR LONG-TERM SUCCESS

We receive regular direct feedback from relevant stakeholders which allows the Board to design the business for long-term growth and success. Together with our shareholders and the ultimate users and beneficiaries of the products that we are developing, our employees, business partners and suppliers are our key stakeholder groups. How we seek to engage with them and ascertain their feedback is set out in our section 172 statement on pages 44 to 47.

Modern slavery

The Company is not yet required to annually report on Modern Slavery Act compliance. However, in line with our underlying principle to improve lives, the Company has adopted an Anti-Slavery and Human Trafficking policy and we continue to seek to ensure that all suppliers and business partners adopt and adhere to similar policies.

Anti-bribery and corruption

The Company has adopted an Anti-Bribery and Corruption policy which is communicated to all employees along with other policies. We seek to include provisions in our agreements with third parties to ensure that bribery and corruption does not form part of any business undertaken by or on behalf of the Company and is not within our supply chains.

As we expand into new territories, we seek to ensure that we comply with local requirements that are analogous to the UK legislation (i.e. the USA's Foreign Corrupt Practices Act).

Compliance

Our internal resource ensures that compliance remains front and centre of the business. We have a dedicated employees dealing with Health & Safety compliance and our supply chain team works to ensure that compliance flows through our supply chain (see above). The nature of our products requires Creo to operate in accordance with ISO: 13485. Our internal quality management system has recently been successfully audited by BSi for recertification.

4. EMBED EFFECTIVE RISK MANAGEMENT, CONSIDERING BOTH OPPORTUNITIES AND THREATS, THROUGHOUT THE ORGANISATION

Internal controls

The Board is responsible for maintaining a sound system of internal financial and operational control and the ongoing review of their effectiveness. The Board's measures are designed to manage, not eliminate, risk and, as such, provide reasonable, but not absolute, assurance against material misstatement or loss. Some key features of the internal control system are:

- Management accounts information, budgets, forecasts and business risk information which are regularly reviewed by the Board;
- Due to the nature of the products being developed by the Company, we have a rigorous quality management system that is compliant with ISO: 13485;
- Operational, accounting and employment policies are in place and regularly reviewed and updated when appropriate;
- Clearly defined organisational structure within the Company; and
- Established financial reporting and control systems within the Company.

The Company reviews its internal controls regularly to ensure that they give the Company the flexibility that is necessary to allow it to grow and deliver long-term value to shareholders while having the correct checks and balances in place.

During 2020 Creo acquired Albyn Medical SL ("Albyn") and Albyn acquired Boucart Medical SRL. Our CEO and CFO are appointed to the board of Albyn and we are working with Albyn to ensure that the same levels of governance are achieved throughout the Group.

Risk register

The Company maintains a risk register which is reviewed regularly. This register allows the Board to appraise external and internal threats to the business and to plan and mitigate accordingly. Principal risks and uncertainties that may affect the business are set out in more detail on pages 50 to 55.

Legal

The Company's General Counsel assists the management team and advises on all legal aspects of the business. The General Counsel manages external legal support where necessary and takes an active role in the management of the business to ensure that compliance is at the core of all that we do.

Intellectual property
The Company has worked with its patent agent, Mewburn Ellis, since 2003. Mewburn Ellis advises on our patent applications and the execution of our portfolio. They offer strategic advice and support to assist in the identification of areas where the business may want to consider further development or registration to support existing applications and/or protection.

Code of Conduct
The Company has adopted a Code of Conduct which sets out the standards that it expects all employees and representatives of the Company to meet to ensure that we maintain the high standards that we set ourselves. It is the Board's view that by encouraging high working standards we will mitigate against risks arising in our day-to-day activities.

Insurance
AON provides insurance broker services to Creo as the markets in which we seek to operate have unique risks which, if they were to materialise, could significantly impact on the business and its stakeholders. Under the advice and guidance of AON, we have put in place a scheme of insurance which reflects both the current and medium-term needs of the business and this is continually monitored through periodic reviews with our advisers and our underwriters.

Maintain a dynamic management framework

5. MAINTAIN THE BOARD AS A WELL-FUNCTIONING, BALANCED TEAM LED BY THE CHAIR

The Board
Creo has a strong and effective leadership team. Creo's Board comprises an Independent Non-Executive Chairman, four Executive Directors, and two further Non-Executive Directors, one of which acts as Creo's senior independent Non-Executive Director. Brief biographies for each Board member together with their respective Board Committees memberships are set out on pages 58 to 59.

Executive Board Members
Craig Gulliford, Chief Executive Officer
Richard Rees, Chief Financial Officer
Prof. Christopher Hancock, Chief Technology Officer
David Woods, Chief Commercial Officer (from 1 August 2020, previously a Non-Executive Director)

Non-Executive Board Members
Charles Spicer, Independent Non-Executive Chairman
John Bradshaw, Senior Independent Non-Executive Director
Ivonne Cantu, Non-Executive Director (appointed 1 February 2020)

The Company's Articles of Association require one third of its Directors to stand for re-election at each AGM, with each Director to be re-elected at least every three years. At our 2020 AGM, David Woods, Christopher Hancock, Richard Rees and John Bradshaw each stood for re-election and Ivonne Cantu stood for election. All resolutions were duly passed.

Charles Spicer acts as Creo's independent Non-Executive Chairman. Charles has a limited shareholding in the Company, via his SIPP, and a limited interest in the Company's share option scheme. Given Charles's limited participation, the Board does not consider his share and option holdings to be significant and therefore consider him to be an independent Non-Executive Director.

John Bradshaw acts as Creo's senior independent Non-Executive Director. John has a limited interest in the Company's share option scheme. Given John's participation in the share option scheme is limited, the Board does not consider his share option holding to be significant and therefore considers him to be an independent Non-Executive Director.

The Board feels that it has an appropriate balance between independence, knowledge of the Company's technology, sector experience and professional standing to allow it to discharge its duties and responsibilities well. All Directors are encouraged to debate and use independent judgement based on their respective knowledge and experience on all matters affecting the business.

The time commitment expected of the Directors is commensurate with the size and complexity of a quoted company and as necessary to properly perform their duties. For the 12 months ending 31 December 2020, the Directors attended the following meetings:

Name of Director	Scheduled Board Meetings	Ad hoc meetings*	Audit Committee	Remuneration Committee
Charles Spicer	6/6	8/8	3/3	
John Bradshaw	6/6	8/8	3/3	2/2
Ivonne Cantu	6/6	7/8	2/3	2/2
Craig Gulliford	6/6	8/8		
Richard Rees	6/6	8/8		
Christopher Hancock	6/6	8/8		
David Woods	6/6	8/8		

* i.e. update calls, sub-committee meetings, or meetings where only a quorum is required.

Due to COVID-19 restrictions, the Board and committees have been restricted in their ability to physically meet and have utilised virtual meeting rooms to ensure dialogue, challenge and support has been provided throughout.

Conflicts of interest

To address the provisions of Section 175 of the Companies Act 2006 relating to conflicts of interest, the Company's Articles of Association allow the Board to authorise situations in which a Director has, or may have, a conflict of interest. Directors are required to give notice of any potential situations or transactional conflicts that are to be considered at the next Board meeting and, if considered appropriate, conflicts are authorised. Directors are not permitted to participate in such considerations or to vote regarding their own conflicts.

6. ENSURE THAT BETWEEN THEM THE DIRECTORS HAVE THE NECESSARY UP-TO-DATE EXPERIENCE, SKILLS AND CAPABILITIES

The Board considers that it contains an appropriate range of skills, experience and knowledge and is mindful of the need to continuously review the needs of the business to ensure that this remains true. The Board members are of sufficient calibre to bring independent judgement to issues of strategy, performance, resources and standards of conduct, which are vital to the future growth and success of the Company. The Board believes that it operates in an open and constructive manner, working effectively as a team.

Each Director is aware of the importance of keeping their skills and capabilities up to date. The Board is kept up to date on changes to the AIM rules via annual briefings by the Company's nominated adviser, as well as other regulatory and market matters on an ad hoc basis.

The Board is supported by a number of professionals, both internal and external, including the Company's General Counsel, the CFO (who is a chartered accountant), the Senior Independent Non-Executive Director (who is a chartered accountant) and external advisers.

7. EVALUATE BOARD PERFORMANCE BASED ON CLEAR AND RELEVANT OBJECTIVES, SEEKING CONTINUOUS IMPROVEMENT

The Board seeks to improve the ways in which it interacts and the manner in which information is presented to it. The processes that have been put in place allow for a consistent approach to reporting, thus aiding analysis by the Board of all matters at hand.

While the Company does not currently have any formal appraisal processes or evaluation criteria for Board members, the Chairman and Non-Executive Directors regularly meet and discuss performance with members of the Executive team, which in the Board's opinion is currently sufficient for the Company's purposes. This will be kept under review and the Board will consider whether formal evaluations are appropriate in the future.

8. PROMOTE A CORPORATE CULTURE THAT IS BASED ON ETHICAL VALUES AND BEHAVIOURS

Our core principle is clear: to improve lives. As such, ethical values and behaviours are at the heart of what we do. The Board seeks to enshrine such ethical values and behaviours throughout the conduct of all of Creo's activities. Our values are set out in our policies, our working practices and our systems.

The nature of our products requires the business to have a robust quality management system which is third-party audited to ISO: 13485 standards. Underpinning this quality management system are processes to ensure that necessary safeguards are in place to ensure the integrity of this system and accordingly the quality of the products under development.

The Board leads by example. The Board seeks to treat all persons fairly and equitably, through clearly defined parameters of operation. This includes full compliance with safe working practices but also maintaining and protecting a positive and supportive working environment.

9. MAINTAIN GOVERNANCE STRUCTURES AND PROCESSES THAT ARE FIT FOR PURPOSE AND SUPPORT GOOD DECISION-MAKING BY THE BOARD

The Chairman provides leadership to the Board and is responsible for agreeing the agenda for Board meetings, ensuring (with the Company Secretary) that the Directors receive the information that they need to participate in Board meetings in a timely fashion, and that the Board has sufficient time to discuss issues on the agenda, especially those relating to strategy and governance.

The Chief Executive Officer is responsible for the day-to-day leadership of Creo, the management team and its employees. The Chief Executive Officer is responsible, in conjunction with senior management, for the execution of the Company's strategy, as approved by the Board, and the implementation of Board decisions.

The Board is collectively responsible for the long-term success of the Company. Its principal role is to provide leadership within a framework of prudent and effective controls, which enables risk to be assessed and managed. The Board considers the management team's strategic proposals and, following a rigorous review, determines strategy and ensures that the necessary resources are in place for the management team to execute against that strategy.

Board meetings

The Board seeks to meet regularly, but in any event to hold Board meetings on a quarterly basis, together with meeting for an annual strategy event. In addition to the scheduled meetings, informal discussions with both Executive Directors and senior operational managers of the Company in relation to strategic business development and other topics important to the Company's progress are held by members of the Board regularly. Further, Board calls are held when needed to allow the Executives to update the Board on specific matters and/or to approve specific actions for which Board approval is required.

The Board and its committees are provided with information ahead of meetings to give time for review and analysis. For each Board meeting an agenda is prepared and approved by the Chairman and followed. The Board maintains an ongoing list of matters arising from the Board meetings which are then followed up at subsequent meetings to ensure that matters and decisions are being implemented.

Reserved matters

The Board has adopted a schedule of specific matters reserved for the Board to consider and, if thought appropriate, decide upon. These reserved matters relate to:

- Strategy and oversight, including the approval of annual budgets;
- Changes to the capital structure of the Company and the corporate structure of the Group;
- Approval of financial statements and reports and any capital spend above agreed limits;
- Approval of contracts outside of the ordinary course of the business;
- Changes to Board and committee membership;
- Remuneration of Executive Directors and issues relating to share options;
- Any delegation of authorities;
- Governance; and
- Approval of policies.

Board Committees

The Board delegates certain duties to Board committees, all of which operate within clearly defined terms of reference and, where applicable, in accordance with the Code.

Audit Committee

The Audit Committee is chaired by John Bradshaw and its other members are Ivonne Cantu and Charles Spicer, each being independent Non-Executive Directors.

The Audit Committee has the primary responsibility of reviewing the financial statements and the accounting principles and practice underlying them, liaising with the external and internal auditors and reviewing the effectiveness of internal controls.

The Audit Committee's role includes monitoring the integrity of the financial statements of the Company (including annual and interim accounts and results announcements), reviewing internal control and risk management systems, reviewing any changes to accounting policies, reviewing and monitoring the extent of the non-audit services undertaken by external auditors and advising on their appointment.

The Audit Committee's terms of reference are available for review on our website at https://creomedical.com/investors/corporate-governance/

The Board considers that the members of the Audit Committee have sufficient competence to understand, analyse and, when necessary, challenge the management accounts and public financial statements of the Company. The Company's Auditor has unrestricted access to the Chair of the Audit Committee.

Remuneration Committee

The Remuneration Committee is chaired by Ivonne Cantu and its other member is John Bradshaw. The Remuneration Committee ensures that the Company's remuneration policy and practice promotes, encourages and drives the long-term growth of shareholder value in an effective manner and in accordance with the Board's strategy and policies. More particularly, the Remuneration Committee determines, within the agreed terms of reference, the Company's policy on the remuneration for the Company's Chairperson, Executive Directors and any senior management, including the Company secretary, as it is designated to consider from time to time. The Remuneration Committee also has responsibility for determining, within the terms of the Company's policy and in consultation with the Chairperson and/or the Chief Executive Officer, the total individual remuneration package for each Executive Director, the Company Secretary and other designated senior executives (including bonuses, incentive payments and share options or other share awards). The remuneration of Non-Executive Directors will be a matter for the Chairman and Executive Directors of the Board. No Director or manager is allowed to partake in any discussions as to their own remuneration.

The Remuneration Committee's terms of reference are available for review on our website at https://creomedical.com/investors/corporate-governance/.

Build trust

10. COMMUNICATE HOW THE COMPANY IS GOVERNED AND IS PERFORMING BY MAINTAINING A DIALOGUE WITH SHAREHOLDERS AND OTHER RELEVANT STAKEHOLDERS

We seek to maintain dialogue with shareholders and other relevant stakeholders through a number of channels. Our a Annual Report and Accounts, full-year and half-year announcements are the primary sources of information for shareholders. These are supplemented by regular and appropriate RNS and RNS Reach announcements.

The above, together with other relevant information on the Company, can be obtained from our website.

The Company's collegiate and open working environment means that all employees are able to relay concerns to the Executive team directly. The Company has a whistleblowing policy to allow and encourage all employees to bring matters which cause them concern to the attention of certain persons within the Company and, ultimately, to the attention of the Chairman.

The Company has engaged Walbrook PR to advise on its communications strategy and to assist in the drafting and distribution of regular news and regulatory announcements. If shareholders or interested parties would like to contact Walbrook regarding any communications they can be contacted at creo@walbrookpr.com.

Going concern

The Board is required to assess whether the Group has adequate resources to continue operations for the foreseeable future. After making enquiries, the Directors have a reasonable expectation that the Company and the Group will continue in operational existence for the foreseeable future (being a period of at least 12 months from the date of this report). For this reason, they continue to adopt the going concern basis in preparing the financial statements.

By order of the Board

Richard Rees
Director

Directors' remuneration report (unaudited)

Introduction

Against the backdrop of COVID-19 which brought significant challenges to the business and its end markets, the Company made important progress in three critical strategic areas: the continued development and regulatory approval of its product portfolio, the establishment of a strong commercial leadership and footprint in the USA and APAC, and of a distribution platform in Europe through the acquisition of Albyn Medical S.L. ("Albyn") and Boucart Medical SRL ("Boucart"). At the same time the Management team implemented safety protocols and remote working capabilities which allowed it to safeguard its employees while continuing to operate across all areas of the business. During the period and in response to COVID-19, a small number of employees were placed in furlough. All furlough monies received by Creo Medical Limited from the UK government have subsequently been repaid in full. On the commercial front, the main impact from the pandemic was a delay in the roll-out of the Company's clinical education and adoption programme. Pressure on health systems around the world as a result of COVID-19 meant that less critical and elective procedures were postponed and testing of new protocols set aside. This had an inevitable impact on the Company's ability to reach the commercial and revenue targets set at the start of the year. The effect of this was mitigated by the revenue contribution from the acquisitions made in the year.

In determining the 2020 compensation for the Company's Executive Directors, the Remuneration Committee considered the important strategic progress made in the year in particular through the acquisitions of Albyn and Boucart, and the success in managing the business effectively through the pandemic against the shortfall in certain commercial targets. In addition, the Remuneration Committee considered the Company's financial position and the repayment by Creo Medical Limited of furlough funds it received.

The Remuneration Committee is committed to continuing dialogue with Creo Medical's major shareholders and welcomes feedback on Directors' remuneration. The Committee consulted with the Company's Nominated Adviser and some of its top shareholders with regard to remuneration for FY2020. During the year the Remuneration Committee obtained advice from FIT Remuneration Consultants LLP.

Senior Management Changes

In August 2020, David Woods, Non-Executive Director, was appointed as Chief Commercial Officer ("CCO") and Executive Director. David is based in the USA and has extensive experience in the med-tech sector complementing the skills and experience of the other Executive Directors (see page 58 for further details on David's experience). As CCO, David provides leadership for Creo's commercial activities which are critical to the Company's future growth. Since joining, David has recruited an experienced senior team in the USA and APAC and developed a commercial strategy for the Group which he has started to implement. David's remuneration package has been set in line with our existing principles and policies.

In addition to David's appointment, following the acquisition of Albyn, Luis Collantes CEO of Albyn, has joined the senior management team. Luis became CEO of Albyn Medical in February 2009, having previously held a number of positions within the Albyn Group including Technical Director and Commercial Director Exports and Spain. Luis defined and implemented Albyn Medical's strategy to become a key European supplier and distributor within the flexible endoscopy accessories market. Luis was awarded Best Entrepreneur of Navarra in 2013 is also a guest lecturer on the Biomedical Engineering Master's Degree at the University of Navarra.

Following the acquisition of Albyn and Boucart and the establishment of a presence in the USA and APAC, the number of Group employees increased from 91 at 31 December 2019 to 217 at the end of the year.

Adoption of JSOP and SIP Plans

In 2020, the Company adopted a Joint Share Option Plan ("JSOP") for Executive Directors and senior managers. The JSOP incentivises the management team to deliver strong share price growth over a sustained period aligning their interests with those of shareholders. The vesting criteria for the JSOP is linked to financial and share price performance. The first options under the JSOP were granted in early 2020. The options granted during the year to the Executive Directors are detailed in the Directors' interests in share options, below.

In addition, during the year the Company implemented an HMRC approved Share Incentive Plan ("SIP"), which is a tax advantaged scheme available to all UK based employees initially. Over the coming months similar plans subject to local tax and regulatory environments will be extended to all employees worldwide. The Company regards these plans as an important element of its remuneration policy offering all employees the opportunity to participate in the long term success of the business while aligning their interests to those of our shareholders. The plan requires employees to remain in employment for three years to benefit from the Matching Shares.

Under the SIP, shares are acquired in four ways,

- Partnership Shares where are employee can spend up to a £1,800 or 10% of their pre-tax income, whichever is the lower;
- Matching Shares, where Creo can give up to two free Matching Shares for each Partnership Share bought;
- Free Shares, where Creo can give up to £3,600 of free shares in any tax year; and
- Dividend Shares where additional shares can be bought with any dividends paid.

2021 Priorities

Looking forward to 2021 the work of the Remuneration Committee will include a review of the Group's remuneration policy and its implementation as well as a review of the Remuneration Committee's terms of reference in light of the new QCA Guidelines for Remuneration Committees. The Remuneration Committee will also increase employee engagement and review the Company's people policies including diversity and inclusion.

Annual Report on Remuneration for 2020

Remuneration Committee membership and responsibilities

Ivonne Cantu joined the Committee as Chair on 1 February 2020, succeeding Charles Spicer, who stepped down from the Committee. Its other member is John Bradshaw, who served on the Committee throughout the year.

By invitation of the Committee, meetings are also attended by the CEO, CFO, the Company Chair and the General Counsel (who acts as secretary to the Committee), who are consulted on matters discussed by the Committee, unless those matters relate to their own remuneration. Advice or information is also sought directly from other employees where the Committee feels that such additional contributions will assist the decision-making process. The Committee is authorised to take such internal and external advice as it considers appropriate in connection with carrying out its duties, including the appointment of its own external remuneration advisers. The Committee appointed FIT Remuneration Consultants LLP ("FIT") in January 2021 to provide professional, independent advice. FIT has no other connection to the Company or its Directors.

The responsibilities of the Remuneration Committee are to set a remuneration policy for all Executive Directors and such other members of the executive management as it is designated to consider and to review and determine on behalf of the board specific remuneration and incentive packages for each of the Company's Executive Directors to ensure that they are fairly rewarded for their individual contributions to the Company's overall performance.

The Remuneration Committee assesses the performance of the Executive Directors in the context of recommending their annual remuneration, including bonus awards and share option grants to the Board for final determination. The remuneration of the Non-Executive Directors is recommended by the Executive Directors and takes account of the time spent on Board and Committee matters. The Board will make the final determination although no Director will participate in any discussion about their own remuneration.

The Remuneration Committee's overarching objective is to implement a remuneration policy which promotes the long-term success of the Group, is aligned to the Company's entrepreneurial culture and values, and addresses the interests of the Company's main stakeholders. In pursuit of this objective, the Company operates a remuneration policy consisting of salary, benefits and pension and, subject to performance conditions, an annual bonus and awards of long-term incentives. The framework seeks to ensure that there is a close link between pay outcomes and Group and individual performance. Pages 44 to 47 of this report sets out further details around the Board's approach to discharging its obligations pursuant to s172 of the Companies Act 2006.

The Committee adheres to principles of corporate governance appropriate for an AIM company of Creo's size and maturity as set out in the QCA Code. The Committee also considers the views of shareholders on pay and the feedback received informs its decision-making. In summary, in establishing and implementing a remuneration policy the Remuneration Committee takes into account the following guiding principles:

- remuneration packages should be competitive but not excessive when compared with a relevant peer group and should be sufficient to recruit, retain and motivate individuals of the requisite calibre to deliver long-term success;
- remuneration packages should be clear and simple and aligned with the interests of shareholders' and other key stakeholders; and
- a significant proportion of remuneration should be based on performance-related components with potential rewards subject to the achievement of challenging performance targets based on measures linked to the Group's KPIs and to the best interests of stakeholders, promoting an entrepreneurial culture.

Overview of Executive Directors' remuneration

The main elements of the remuneration package for Executive Directors are:

Base salary

The base salary is reviewed annually by the Remuneration Committee. In determining the base annual salary the Remuneration Committee takes into account several factors, including the current position and development of the Group, individual contribution, and internal and external reference points including market salaries for comparable organisations.

Current salaries are £280,000 (Craig Gulliford), £210,000 (Professor Christopher Hancock) and £210,000 (Richard Rees). David Woods' salary on appointment as Chief Commercial Officer on 1 August 2020 was set at $325,000. No salary increases were implemented in the period for the Executive Directors. Across the Group salaries were increased in cases linked to increased responsibility or promotions or as part of an overall benchmarked review.

Annual bonus

All Executive Directors are eligible for a discretionary annual bonus which is paid in accordance with a bonus scheme developed by the Remuneration Committee. Payouts are based on an assessment of performance against defined commercial, strategic and financial objectives. The bonus is capped at 100% of salary. Across the Group, senior managers are also eligible to discretionary bonus payments based on the delivery against personal and Group performance objectives and targets.

The Committee's focus during the annual bonus assessment process for the 2020 performance year was to ensure that outcomes were appropriately aligned with the overall performance of the Group and that payments were fair from a range of stakeholder perspectives, particularly in light of COVID-19 and its impact on the business, its employees, shareholders and other stakeholders. In this context, the Committee considered the Company's decision to furlough a small number of staff for a period during the initial lockdown alongside the positive voluntary contributions made by the Company as part of Creo's COVID-19 response (see pages 40 to 41 for further details around Creo's COVID-19 response efforts) and the repayment of furlough monies received by Creo Medical Limited to the UK Government. More specifically, the Executive Directors' annual bonus was determined based on achievement against a set of strategic, commercial and financial objectives. The Remuneration Committee assessed performance as being strong particularly in the context of the challenges created by COVID-19. The Company delivered exceptionally against significant strategic priorities including product development, CE Marking 5 products, and building a commercial presence in key USA and APAC markets, and in major European markets through the acquisitions of Albyn and Boucart to drive growth. However, the challenges and pressure on healthcare systems globally impeded the delivery of certain commercial targets. Taking it all into consideration, the Remuneration Committee awarded an annual bonus of 75% of the maximum to each of the Executive Directors.

Transaction bonus

In extraordinary circumstances the Remuneration Committee may approve an exceptional bonus. For the year 2020, the Committee approved an exceptional bonus in relation to the Albyn acquisition. The Albyn acquisition represents a transformational transaction for the Company, creating a distribution footprint in Europe, diversifying its revenue streams and strengthening its senior team. Furthermore, the acquisition was executed under challenging circumstances as a result of COVID-19 and ongoing corporate developments at Albyn including the acquisition of Boucart, which demanded an exceptional commitment of time and effort from the management team. The integration of Albyn is progressing as planned and Albyn is performing in line with expectations. As a result, the Committee approved a transaction bonus consisting of 100% salary in cash and 100% salary in share options vesting over three years. 50% of the cash component and 66% of the options component are contingent on the successful integration and delivery of financial targets for Albyn over a three year period.

Long-term incentives

Long- term incentive awards are an important component of Executive Directors' remuneration aimed at promoting the long term success of the Company in alignment with the interests of the Company's shareholders and broader group of stakeholders.

The Group operates a number of option plans established through the years under which certain Directors and members of staff have been granted options to subscribe for ordinary shares. All options are equity settled. The options are subject to service conditions and have varying vesting periods and exercise prices (depending on the time of grant). The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Awards of market value share options were made during the year to the Executive Directors subject to performance conditions measured over a three-year period.

In 2019 the Company conducted a review of its long term incentive arrangements informed by external advice and subsequently implemented a new JSOP plan. On 18 February 2020 the first JSOP awards were granted to the Executive Directors 2020 over 370,000 ordinary shares, representing approximately 0.2% of the enlarged issued share capital of the Company, details of which are set out on page 73 below and in Note 8 Share based payments.

As part of the 2020 remuneration, the Remuneration Committee approved an award under the JSOP for the Executive Directors equivalent to 100% of annual salary. The awards will vest after three years subject to share price performance hurdles and will be subject to a two-year holding period post vesting.

In addition to the JSOP, the Company also operates both an approved and unapproved share option scheme.

Service contracts

Executive Directors are employed under contracts which may be terminated by either party on no more than 12 months' notice.

Remuneration Policy for the Chairman and the Non-Executive Directors

The Chairman and the Non-Executive Directors are employed on letters of appointment which have an initial term of one year and then which may be terminated at any time by either party with three months' notice.

The remuneration of the Chairman is set by the Remuneration Committee and the remuneration of the Non-Executive Directors is set by the Executive Directors of the Board. No individual is involved in the determination of their own pay. Neither the Chairman nor the Non-Executive Directors receive awards under Creo Medical's incentive schemes. Charles Spicer and John Bradshaw were awarded share options prior to the Company's IPO in 2016 and have not been awarded share options since.

Directors remuneration report (unaudited) continued

Directors' remuneration for 2020

The remuneration of the Board of Directors of Creo Medical Group plc during the 12-month period ending 31 December 2020 was:

(All figures £)	Salary	Taxable Benefits	Pension	Annual bonus	Share based payments	31 December 2020	31 December 2019
Executive:							
Professor Christopher Hancock	**210,000**	**22,349**	**21,000**	**353,750**	**130,401**	**737,500**	**829,075**
Craig Gulliford	**280,000**	**22,210**	**28,000**	**466,667**	**152,376**	**949,253**	**1,036,964**
Richard Rees	**210,000**	**21,976**	**21,000**	**353,750**	**120,986**	**727,712**	**817,365**
David Woods	**108,895**	**8,307**	**3,079**	**125,000**	**–**	**245,281**	**–**
Total executive	**808,895**	**74,842**	**73,079**	**1,299,167**	**403,763**	**2,659,746**	**2,683,404**
Non-Executive:							
Charles Spicer	**86,000**	**–**	**–**	**–**	**–**	**86,000**	**110,835**
John Bradshaw	**56,000**	**–**	**–**	**–**	**–**	**56,000**	**74,890**
Ivonne Cantu	**51,333**	**–**	**–**	**–**	**–**	**51,333**	**–**
Total non-executive	**193,333**	**–**	**–**	**–**	**–**	**193,333**	**185,725**
Total directors' remuneration	**1,002,228**	**74,842**	**73,079**	**1,299,167**	**403,763**	**2,853,079**	**2,869,129**

1. Annual bonus includes amounts of £157,500, £210,000, £157,500 and £93,750 respectively to Professor Christopher Hancock, Craig Gulliford, Richard Rees and David Woods for performance for the year ending 31 December 2020. This reflected the Remuneration Committee's assessment of performance versus the targets set at the beginning of the year. Furthermore, an exceptional one-off bonus was awarded in relation to the Albyn acquisition which amounts to £105,000, £140,000 and £105,000 respectively to Professor Christopher Hancock, Craig Gulliford and Richard Rees. In addition, the figures include £65,000, £81,667, and £65,000 respectively to Professor Christopher Hancock, Craig Gulliford and Richard Rees relating to an exceptional one-off bonus awarded in 2018 which was earned for performance in 2018 in relation to the successful £48.1m share placing and payment was deferred over a two-year period. The payments included in the figures for 2020 reflect the final deferred element of the award and no subsequent deferred payments remain outstanding.
2. The share-based payment charge relates to share options issued by the Group. The charge for the year of £403,763 for Directors compares to the charge incurred by the Group in total for all employees and suppliers of £1,554,845. See Note 8 to the accounts for more details.
3. David Woods was appointed as Chief Commercial Officer on 1 August 2020, having previously served on the Board as a Non-Executive Director.
4. Ivonne Cantu joined the Board on 1 February 2020.

Directors' shareholdings

The interests of the Directors holding office at 31 December 2020 in the shares of the Company, including family interests, were:

	31 December 2020 Number	31 December 2020 %
Executive:		
Professor Christopher Hancock	**4,400,098**	**2.79%**
Craig Gulliford	**609,886**	**0.39%**
Richard Rees	**–**	**0.00%**
David Woods	**25,000**	**0.02%**
Total Executive	**5,034,984**	**3.20%**
Non-Executive:		
Charles Spicer	**118,319**	**0.07%**
John Bradshaw	**–**	**0.00%**
Ivonne Cantu	**–**	**0.00%**
Total Non-Executive	**118,319**	**0.07%**
Total Directors' shareholdings	**5,153,303**	**3.27%**

Directors' interests in share options

Directors' interests in share options, granted under either the Creo Medical Group plc Enterprise Management Incentive Share Option Scheme or the Creo Medical Group plc Unapproved Share Option Scheme, and interests in awards granted under the Creo Medical Group plc JSOP, at 31 December 2020 were:

	31 December 2019 Number	Granted during year	Exercised during year	31 December 2020 Number	Vested but unexercised	Exercise price
Executive:						
Professor Christopher Hancock	417,240	–	–	**417,240**	417,240	16.67p
Professor Christopher Hancock	72,000	–	–	**72,000**	72,000	16.67p
Professor Christopher Hancock	1,184,210	–	–	**1,184,210**	1,184,210	76.00p
Professor Christopher Hancock	107,914	–	–	**107,914**	107,914	113.00p
Professor Christopher Hancock	268,293	–	–	**268,293**	–	153.75p
Professor Christopher Hancock	114,035	–	–	**114,035**	–	171.00p
Professor Christopher Hancock	1,419,959	–	–	**1,419,959**	–	1.00p
Professor Christopher Hancock	–	115,000	–	**115,000**	–	1.00p
	3,583,651	115,000	–	**3,698,651**	1,781,364	
Craig Gulliford	540,000	–	–	**540,000**	540,000	16.67p
Craig Gulliford	936,000	–	–	**936,000**	936,000	16.67p
Craig Gulliford	1,578,948	–	–	**1,578,948**	1,578,948	76.00p
Craig Gulliford	143,885	–	–	**143,885**	143,885	113.00p
Craig Gulliford	325,203	–	–	**325,203**	–	153.75p
Craig Gulliford	143,275	–	–	**143,275**	–	171.00p
Craig Gulliford	925,295	–	–	**925,295**	–	1.00p
Craig Gulliford	–	140,000	–	**140,000**	–	1.00p
	4,592,606	140,000	–	**4,732,606**	3,198,833	
Richard Rees	288,000	–	–	**288,000**	288,000	16.67p
Richard Rees	1,184,210	–	–	**1,184,210**	1,184,210	76.00p
Richard Rees	118,705	–	–	**118,705**	118,705	113.00p
Richard Rees	268,293	–	–	**268,293**	–	153.75p
Richard Rees	114,035	–	–	**114,035**	–	171.00p
Richard Rees	426,876	–	–	**426,876**	–	1.00p
Richard Rees	–	115,000	–	**115,000**	–	1.00p
	2,400,119	115,000	–	**2,515,119**	1,590,915	
David Woods	–	–	–	**–**	–	–
Total Executive	10,576,376	370,000	–	**10,946,376**	**6,571,112**	
Non-Executive:						
Charles Spicer	118,421	–	–	**118,421**	118,421	76.00p
John Bradshaw	27,000	–	–	**27,000**	27,000	21.39p
John Bradshaw	78,947	–	–	**78,947**	78,947	76.00p
	105,947	–	–	**105,947**	105,947	
Ivonne Cantu	–	–	–	**–**	–	–
Total Non-Executive	224,368	–	–	**224,368**	224,368	
Total Directors' shareholdings	10,800,744	370,000	–	**11,170,744**	6,795,480	

All share options are subject to employment conditions, those issued on or post admission at 76p, 113p, 153.75p, 171p and 1p are also subject to performance conditions.

An interest in awards was granted to the Executive Directors on 18 February 2020 over 370,000 ordinary shares, representing approximately 0.2% of the enlarged issued share capital of the Company, pursuant to the Company's newly established JSOP. The Company issued, 7,000,000 new shares to be admitted to trading on AIM, to be held by the Company's Employee Benefit Trust for the purposes of satisfying exercises of shares currently under option, as well as for future JSOP awards. The voting rights on these new shares will be exercisable by the trustee of the Trust at its sole discretion. The Participant and the Trustee jointly own the beneficial interest of the JSOP awards. The Participant is entitled to any value above a hurdle price of £2.50 per share and the Trustee entitled to all value below this hurdle. The Participant has also been granted an option to acquire the Trustee's beneficial interest in the JSOP shares, which vests three years after the acquisition date (subject to continued employment) and the exercise of which is subject to a three-month holding period once vested.

Other transactions that occurred with Directors during the year are detailed in note 24 to the financial statements under Related Party Transactions.

Ivonne Cantu
Chair of the Remuneration Committee
Creo House, Unit 2, Beaufort Park, Beaufort Park Way,
Chepstow, Wales, NP16 5UH
3 June 2021

A year of achievements

We made pleasing progress against our commercial strategy in 2020.

FINANCIAL STATEMENTS

Independent auditor's report

to the members of Creo Medical Group plc

1. Our opinion is unmodified

We have audited the financial statements of Creo Medical Group plc ("the Company") for the year ended 31 December 2020 which comprise the Consolidated Statement of Profit and Loss and Other Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows, Parent Company Statement of Financial Position, Parent Company Statement of Changes in Equity, and the related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Overview

Materiality:	£280,000 (2019:£140,000)	
Group financial statements as a whole	0.82% (2019: 0.73%) of total expenses	
Coverage	96% (2019:100%) of Group loss before tax	
Key audit matters		**vs 2019**
Recurring risks	Treatment of development costs	◀▶
	Recoverability of parent Company's investment in subsidiaries and debts due from subsidiaries	◀▶
	New: Revenue recognition	–
Event driven	**New:** Going concern	–
	New: Business combinations	–

Basis for opinion

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

2. Key audit matters: including our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, 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 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. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

	The risk	Our response
Going concern See note 1 to the Group financial statements	**Disclosure quality** The financial statements explain how the directors have formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group and parent Company. That judgement is based on an evaluation of the inherent risks to the Group's and Company's business model and how those risks might affect the Group's and Company's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements. The risks most likely to adversely affect the Group's and Company's available financial resources over this period were: ▪ availability and sufficiency of cash to continue financing the outflows related to Group's activities over the forecast period; and ▪ Impact of ongoing affects related to the COVID-19 pandemic on the Group's ability to progress its commercialisation activities. The risk for our audit was whether or not those risks were such that they amounted to a material uncertainty that may have cast significant doubt about the ability to continue as a going concern. Had they been such, then that fact would have been required to have been disclosed.	We considered whether these risks could plausibly affect the liquidity in the going concern period by assessing the directors' sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of severe, but plausible, adverse effects that could arise from these risks individually and collectively. Our procedures also included: ▪ **Funding assessment:** Challenging the directors' plans for future actions, and verify the reliability and relevance of data used. Determining whether the outcome of the directors' plans was likely to improve the availability of financial resources and whether the directors' plans were feasible. ▪ **Historical comparisons:** Assessing the historical accuracy of the directors' forecasts and their track record by comparing actual results to previous forecast cashflows. ▪ **Key dependency assessment:** Evaluating whether there is adequate support for the assumptions underlying the directors' assessment, whether they are realistic and achievable and consistent with the external and/or internal environment and other matters identified in the audit. ▪ **Sensitivity analysis:** Considering sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of plausible (but not unrealistic) adverse effects that could arise from these risks individually and collectively, in addition to considering any mitigating action that directors could take. ▪ **Assessing transparency:** Considering whether the going concern disclosure in note 1 to the financial statements gives a full and accurate description of the Directors' assessment of going concern, including the identified risks, dependencies, and related sensitivities.

	The risk	Our response
Treatment of development costs (NIL capitalised and £3,626,623 expensed; 2019: £500,000 capitalised and £3,025,000 expensed) Refer to page 92 (accounting policy) and Note 12 pages 99 to 100	**Accounting treatment:** The Group aims to develop surgical endoscopy products and devices. Development costs are capitalised in accordance with the relevant accounting standards when specific criteria are met. The application of accounting standards to determine whether the criteria for capitalisation have been met is inherently subjective as this involves an assessment of the technical feasibility and commercial viability of the project concerned. As the number of development projects being undertaken by the Group continues to increase, and progress is made on ongoing projects, the risk associated with the application of the correct accounting treatment for development costs remains a key focus.	Our procedures included: ▪ **Accounting analysis:** Critically assessing the Group's accounting policy for determining whether or not costs incurred on a project should be capitalised against the criteria of the relevant accounting standard and our understanding of the progress of the projects. ▪ **Test of detail:** Obtaining evidence and documentation to assess and challenge the status of the projects including assessing the technical feasibility and commercial viability by reviewing regulatory approval submissions, results of clinical trials and procedures undertaken, market analysis and customer correspondence. ▪ **Test of detail:** Agreeing a sample of costs allocated to development projects to supporting documentation, primarily timesheets and payroll records for relevant employees in relation to labour costs and purchase invoices for other costs to ensure costs are recorded against the appropriate project. ▪ **Test of detail:** Recalculating the amortisation charge for each of the assets available for use and assessing the reasonableness of the useful economic lives adopted for each asset. ▪ **Assessing transparency:** Evaluating the adequacy of the disclosures of the judgements involved, compared with the requirements of the accounting standards and our understanding of the business.
Revenue recognition Revenue: £9,428,880 (2019: £13,473) Refer to page 93 (accounting policy) and Note 2 pages 93 and 94 (financial disclosures)	**2020 Sales** Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. Following the acquisition of Albyn Medical on 24 July 2020 the Group has reported material post-acquisition revenue for the year. Pressures on achieving internal and external expectations of results increase the risk of fraudulent revenue recognition, in particular the recognition of sales around the year-end. Specifically, revenue could be fraudulently misstated by recognising invoices in advance of items being shipped, or accelerating the invoicing of goods around the year-end.	Our procedures included: ▪ **Accounting analysis:** Critically assessing the group's accounting policy in relation to the recognition of revenue against the requirements of IFRS 15 'Revenue from Customers; ▪ **Control design:** Assessing the design and operating effectiveness of controls over the matching of sales transactions to related orders and customer authorised delivery documentation and/or purchase orders; ▪ **Test of detail:** Agreeing a selection of sales transactions around the year-end to customer authorised despatch/receipt documentation and to any contracts or purchase orders to ensure sales had been recognised in the correct period; and ▪ **Test of detail:** Agreeing a selection of post year end credit notes to original customer authorised despatch/receipt documentation to assess that revenue has not been overstated at the year-end date.

2. Key audit matters: our assessment of risks of material misstatement (continued)

	The risk	Our response
Business combinations Refer to pages 86 to 87 (accounting policy) and Note 23 pages 108 to 110 (financial disclosures)	**Subjective valuation** The acquisition of the Albyn Medical Group in July 2020 and Boucart Medical SRL in November 2020 required the net assets acquired to be valued at fair value. The intangible assets acquired are determined through complex valuation methods including by forecasting and discounting future cash flows (based on assumptions such as discount rates), which are inherently highly judgemental. The effect of these matters is that, as part of our risk assessment, we determined that the valuation of intangible assets acquired on the acquisition of the Albyn Medical Group contains a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality as a whole.	Our procedures included: ▪ **Assessing the valuer's credentials:** Evaluating the competence and independence of the valuer and whether they had been appropriately instructed and had been provided with complete, accurate data on which to base their valuations. ▪ **Methodology choice:** Evaluating the basis upon which the Group identified the intangible assets acquired and the methods used to value other assets and performed an assessment of the worked performed by management's expert. ▪ **Comparing valuations:**. Assessing whether the measurement basis used to estimate the fair values of the identified intangible assets were reasonable, taking into account our experience of similar assets in other comparable situations and using our corporate finance specialist. ▪ **Tests of detail:** Challenging the appropriateness of assumptions and inputs used by management in their forecast cash flows which have been used to value the acquired intangible assets. ▪ **Assessing transparency:** Assessing whether the appropriate disclosures have been provided on the judgements and estimates applied in arriving at the fair value.
Recoverability of Parent Company's investment in subsidiaries and debts due from subsidiaries (Investment in subsidiaries £25.2m, 2019: £1.3m; amount owed by subsidiary undertakings £59.0 million, 2019: £40.0 million) Refer to pages 115 to 116 (accounting policy and financial disclosures)	**Low risk, high value** The investment in subsidiaries and amounts owed by the subsidiary undertakings is significant and represents 48% (2019: 35%) of the Company's total assets. The carrying value of an investment in subsidiary undertakings is assessed for impairment and expected credit losses ('ECLs') are calculated on the amounts owed by the subsidiaries. The application of accounting standards to determine any impairment or ECLs is inherently subjective as this involves judgements to be made in relation to the future performance of the subsidiaries and possible default events over the expected life of the loan. Whilst the overall risk is assessed as low, we determined that due to their materiality in the context of the parent Company financial statements, the impairment assessment and calculation of ECLs are considered to be the areas that had the greatest effect on our parent Company audit.	Our procedures included: ▪ **Assessing transparency:** Assessing the adequacy of the parent company's disclosures in respect of the investment in and debt due from subsidiary. ▪ **— Tests of detail:** Testing the expected credit loss calculation and estimation process, including the annual approval and challenge of those estimates by the directors. ▪ **Qualitative indicators:** In relation to the amounts owed by the subsidiaries, assessing the Company's conclusions on whether default has occurred with reference to indicators such as relevant clinical and regulatory data. ▪ **Benchmarking assumptions:** Assessing the carrying value of the investment in subsidiaries by performing a review of both internal and external impairment indicators using our knowledge of the Group and the markets in which the subsidiaries operates.

In the prior year we reported a key audit matter in respect of the impact of uncertainties due to the UK exiting the European Union. Following the trade agreement between the UK and the EU, and the end of the EU-exit implementation period, the nature of these uncertainties has changed. We continue to perform procedures over material assumptions in forward looking assessments however we no longer consider the effect of the UK's departure from the EU to be a separate key audit matter.

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £280,000 (2019: £140,000), determined with reference to a benchmark of group total expenditure, of which it represents 0.84% (2019: Group total expenditure, of which it represents 0.73%). We consider total expenditure to be the most appropriate benchmark as the entity is still within the start-up phase of the business cycle.

Materiality for the parent Company financial statements as a whole was set at £220,000 (2019: £84,000). This is lower than the materiality we would otherwise have determined by reference to total assets, and represents 0.2% of the Company's total assets (2019: 0.1%). In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole. Performance materiality was set at 75% (2019: 75%) of materiality for the financial statements as a whole, which equates to £210,000 (2019: £105,000) for the group and £165,000 (2019: £85,000) for the parent company. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £14,000 (2019: £7,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 6 (2019: 5) reporting components, which include the parent company, we subjected 3 (2019: 2) to full scope audits for Group reporting purposes.

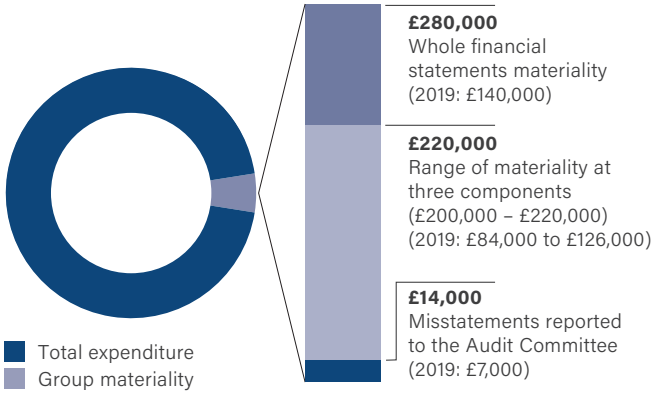
The components within the scope of our work accounted for the percentages illustrated opposite.

For the residual components, one of which is currently dormant, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

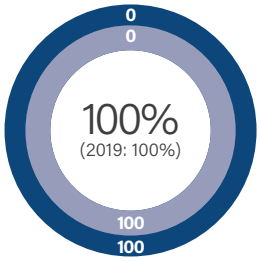
Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materialities, which ranged from £200,000 to £220,000 (2019: £84,000 to £126,000), having regard to the mix of size and risk profile of the Group across the components. The work on 1 of the 3 components (2019: none) was performed by component auditors and the rest, including the audit of the parent company, was performed by the Group team. The Group team conducted video and telephone conference meetings with the component auditors. At these meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor.

Total expenditure
£34m (2019: £19m)

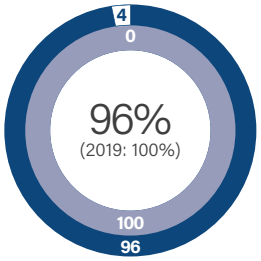
Group materiality
£280,000 (2019: £140,000)



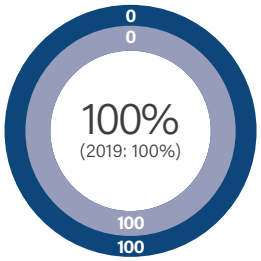
Group revenue



Group profit before tax



Group total assets



Full scope for Group audit purpose 2020
Full scope for Group audit purpose 2019
Residual components

4. Going concern basis of preparation

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company, or to cease their operations, and as they have concluded that the Group and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could cast significant doubt over their ability to as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").
An explanation of how we evaluated management's assessment of going concern is set out section 2 of our report.
Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period; and
- we found the going concern disclosure in note 1 to be acceptable.

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

5. Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

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

- Enquiring of directors, the audit committee and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and audit committee minutes.
- Considering remuneration incentive schemes and performance targets for management/ directors/ sales staff.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the Group to component audit teams of relevant fraud risks identified at the Group level and request to component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at Group.

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that revenue is recorded in the wrong period and the risk that management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

We performed procedures including:

- identifying journal entries and other adjustments to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts, and journal descriptions containing specific key words;
- Evaluating the business purpose of significant unusual transactions; and
- Assessing significant accounting estimates for bias.

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

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

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group to component audit teams of relevant laws and regulations identified at the Group level, and a request for component auditors to report to the Group team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at Group.

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

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

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

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

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

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

6. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic Report and Directors' Report

Based solely on our work on the other information:

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

7. We have nothing to report on the other matters on which we are required to report by exception

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

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

We have nothing to report in these respects

8. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 62, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and, parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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

Jeremy Thomas (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
3 Assembly Square
Britannia Quay,
Cardiff,
CF10 4AX
4 June 2021

Consolidated statement of profit and loss and other comprehensive income

for the 12-month period ended 31 December 2020

(All figures £)	Note	31 December 2020	31 December 2019
Revenue	2	**9,428,880**	13,473
Cost of sales		**(5,393,884)**	(8,522)
Gross Profit		**4,034,996**	4,951
Other operating income	2	**49,192**	126,719
Administrative expenses		**(27,121,353)**	(19,007,048)
Impairment loss on trade and other receivables	18	**(446,897)**	–
Operating loss		**(23,484,062)**	(18,875,378)
Finance expenses	9	**(172,875)**	(51,291)
Finance income	9	**195,132**	311,288
Loss before tax	3	**(23,461,805)**	(18,615,381)
Taxation	10	**3,146,080**	2,704,231
Loss for the year		**(20,315,725)**	(15,911,150)
Other comprehensive income	21	**(428,516)**	–
Total comprehensive loss for the period/year		**(20,744,241)**	(15,911,150)
Loss per share			
Basic and diluted	11	**(0.13)**	(0.13)

The notes on pages 86 to 118 form part of the financial statements.

Consolidated statement of financial position

for the 12-month period ended 31 December 2020

(All figures £)	Note	31 December 2020	31 December 2019
Assets			
Non-current assets			
Intangible assets	12	**10,267,868**	865,241
Goodwill	23, 12	**18,261,605**	–
Investments	18	**500,000**	–
Property, plant and equipment	13	**3,378,425**	1,295,818
Deferred tax	16	**474,289**	–
Other non-current receivables	15	**111,780**	8,400
		32,993,967	2,169,459
Current assets			
Inventories	14	**6,812,252**	727,158
Trade and other receivables	15	**5,633,205**	1,616,319
Tax receivable	16	**2,973,364**	2,702,198
Cash and cash equivalents		**45,091,552**	81,048,448
		60,510,373	86,094,123
Total assets		**93,504,340**	88,263,582
Shareholder equity			
Called up share capital	21	**157,891**	150,378
Share premium	21	**115,263,193**	115,111,506
Merger reserve	21	**13,602,735**	13,602,735
Share option reserve	21	**5,376,060**	4,647,915
Foreign exchange reserve	21	**(428,516)**	–
Retained earnings	21	**(71,164,915)**	(50,849,190)
		62,806,448	82,663,344
Liabilities			
Non-current liabilities			
Interest-bearing liabilities	19	**6,541,597**	543,892
Other liabilities	17	**2,318,909**	–
		8,860,506	543,892
Current liabilities			
Interest-bearing liabilities	19	**4,023,119**	173,193
Trade and other payables	17	**9,960,279**	4,883,153
Deferred tax liability	16	**1,996,246**	–
Non interest-bearing loans	17	**1,789,944**	–
Other liabilities	17	**4,067,798**	–
		21,837,386	5,056,346
Total liabilities		**30,697,892**	5,600,238
Total equity and liabilities		**93,504,340**	88,263,582

These financial statements were approved by the Board of Directors on 3 June 2021 and were signed on its behalf by:

Richard Rees
Director

Company registered number: 10371794

The notes on pages 86 to 118 form part of the financial statements.

Consolidated statement of changes in equity

for the 12-month period ended 31 December 2020

(All figures £)	Note	Called up share capital	Retained earnings	Share premium	Merger reserve	Share option reserve	Foreign exchange reserve	Total equity
Balance at 31 December 2018		120,495	(34,938,040)	65,835,555	13,602,735	3,093,070	–	47,713,815
Total comprehensive income for the period								
Profit or loss		–	(15,911,150)	–	–	–	–	(15,911,150)
Total comprehensive income		–	(15,911,150)	–	–	–	–	(15,911,150)
Transactions with owners, recorded directly in equity								
Issue of share capital		29,883	–	49,275,951	–	–	–	49,305,834
Equity settled share-based payment transactions	8	–	–	–	–	1,554,845	–	1,554,845
Balance at 31 December 2019		150,378	(50,849,190)	115,111,506	13,602,735	4,647,915	–	82,663,344
Total comprehensive income for the period								
Profit or loss		–	(20,315,725)	–	–	–	(428,516)	(20,744,241)
Total comprehensive income		–	(20,315,725)	–	–	–	(428,516)	(20,744,241)
Transactions with owners, recorded directly in equity								
Issue of share capital	21	**7,513**	**–**	**151,687**	**–**	**–**	**–**	**159,200**
Equity settled share-based payment transactions	8	**–**	**–**	**–**	**–**	**728,145**	**–**	**728,145**
Balance at 31 December 2020		**157,891**	**(71,164,915)**	**115,263,193**	**13,602,735**	**5,376,060**	**(428,516)**	**62,806,448**

The notes on pages 86 to 118 form part of the financial statements.

Consolidated statement of cash flows

for the 12-month period ended 31 December 2020

(All figures £)	Note	31 December 2020	31 December 2019
Cash flows from operating activities			
Loss for the period		**(20,315,725)**	(15,911,150)
Depreciation/amortisation charges		**1,596,419**	641,726
Equity settled share-based payment expenses	8	**728,145**	1,554,845
Fair value adjustment to derivatives		**–**	27,894
Finance expenses	9	**172,875**	23,397
Finance income	9	**(195,132)**	(311,288)
R&D expenditure credit		**(1,839)**	(5,362)
Taxation	10	**(3,146,080)**	(2,704,231)
Impairment of intangible assets	12	**140,814**	–
		(21,020,523)	(16,684,170)
Decrease in inventories		**766,553**	(424,686)
Increase in trade and other receivables		**(394,012)**	(552,696)
Increase in trade and other payables		**1,686,474**	3,283,533
		(18,961,508)	(14,378,019)
Interest paid	9	**(172,875)**	(51,291)
Tax payable		**153,277**	–
Tax received		**2,702,198**	2,577,026
Net cash from operating activities		**(16,278,908)**	(11,852,284)
Cash flows from investing activities			
Purchase of intangible fixed assets		**(91,462)**	(633,795)
Purchase of tangible fixed assets		**(484,771)**	(484,006)
Acquisition of subsidiary net of cash acquired	23	**(20,586,496)**	–
Interest received		**195,132**	311,288
Net cash from investing activities		**(20,967,597)**	(806,513)
Cash flows from financing activities			
Capital repaid in respect of loans	18	**(497,047)**	–
Proceeds from new loan	18	**2,055,000**	–
Capital repaid in respect of lease liabilities	18	**(391,404)**	(187,310)
Share issue	22	**159,200**	49,305,833
Net cash from financing activities		**1,325,749**	49,118,523
(Decrease)/increase in cash and cash equivalents		**(35,920,756)**	36,459,726
Effect of exchange rates held in cash		**(36,140)**	
Cash and cash equivalents at beginning of period		**81,048,448**	44,588,722
Cash and cash equivalents at end of period		**45,091,552**	81,048,448

The notes on pages 86 to 118 form part of the financial statements.

Notes to the financial statements

1. ACCOUNTING POLICIES

General information

Creo Medical Group plc is a public company, limited by shares, registered and domiciled in England and Wales in the UK. The Company's registered number is 10371794 and the registered office is Creo House, Unit 2, Beaufort Park, Beaufort Park Way, Chepstow, Wales NP16 5UH.

The Group financial statements consolidate those of the Parent Company and its subsidiaries (together referred to as the "Group"). The Parent Company financial statements present information about Creo Medical Group plc as a separate entity and not about its Group.

The Group financial statements have been prepared and approved by the Directors in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRSs"). The Company has elected to prepare its Parent Company financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

Basis of preparation

This is the fourth annual financial report of the Company since the incorporation of Creo Medical Group plc on 12 September 2016 and the subsequent acquisition of Creo Medical Limited via a share for share exchange on 9 November 2016. The financial statements are presented in sterling and rounded to the nearest pound.

This financial report for the 12-month period ended 31 December 2020 (including comparatives for the 12 months ended 31 December 2019) was approved by the Board of Directors on 3 June 2021.

Changes in accounting policy and disclosures

New standards, amendments and interpretations

The following new standards, amendments and interpretations have been adopted by the Group for the first time for the financial year beginning on 1 January 2020:

- Amendments to References to Conceptional Framework in IFRS Standards
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Definition of a Business (Amendments to IFRS 3)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
- COVID-19 Related Rent Concessions (Amendment to IFRS 16)

The adoption of these standards, amendments and interpretations has not had a material impact on the financial statements of the Group or Parent Company.

New standards, amendments and interpretations issued but not effective and not adopted early

The following new standards, amendments to standards and interpretations have been issued but not yet effective and therefore have not been applied in preparing these consolidate financial statements:

- Amendments to IFRS 9, IAS 9, IFRS 7, IFRS 4 and IFRS 16 relating to Interest Rate Benchmark Reform – Phase 2. Effective 1 January 2021.
- Amendments to IAS 37 Onerous Contracts – Cost of fulfilling a contract. Effective 1 January 2022.
- Annual improvements to IFRS standards 2018-2020. Effective 1 January 2022.
- Amendments to IAS 16 Property. Plant and Equipment: proceeds before intended use. Effective 1 January 2022.
- Amendments to IFRS 3 Reference to the Conceptual Framework. Effective 1 January 2022.

The Directors anticipate that none of the new standards, amendments to standards and interpretations is expected to have a significant effect on the financial statements of the Group or Parent Company.

Measurement convention

The financial statements are prepared on the historical cost basis except that derivative financial instruments are stated at their fair value.

Business combinations and basis of consolidation

On 9 November 2016 Creo Medical Group plc offered a share for share exchange to the shareholders of Creo Medical Limited. As a result of this transaction, Creo Medical Group plc became the parent of Creo Medical Limited.

On 23 July 2020 Creo Medical Group plc purchased Albyn Medical SL becoming its Parent Company, see Note 23 for details.

On 3 November 2020 Alby Medical SL purchased Boucart Medical SRL. As a result of this transaction Creo Medical Group became the ultimate parent of Boucart Medical SRL, see Note 23 for details.

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured, and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss. Where non-controlling interests do not still have present access to the returns associated with the underlying ownership interests, the anticipated-acquisition method will be applied and the acquisition accounted for as though 100% of the equity had already been acquired.

Accounting policies adopted are consistent across the Group. All Intra-Group balances and transactions, including unrealised income and expenses arising from intra-Group transactions, are eliminated on consolidation.

Going concern

Notwithstanding a reported loss of £20.3 million and operating cash outflows of £16.3 million for the year ended 31 December 2020, the financial statements have been prepared on a going concern basis which the directors believe to be appropriate for the following reasons.

The directors have considered the applicability of the going concern basis in the preparation of the financial statements. This included the review of financial results, internal budgets and cash flow forecasts for the period of at least 12-months following the date of approval of the financial statements ("the going concern period").

COVID-19 has had a significant impact on the world economy, bringing additional pressures on healthcare providers around the world. For Creo, users of the Group's products have been redeployed to help to provide healthcare services and support to COVID-19 patients, delaying elective procedures. Whilst this has delayed the short-term commercialisation activities; the backlog this is creating will demand faster, more efficient healthcare solutions.

Given the unprecedented situation, the Directors have modelled further severe but plausible downside scenarios involving prolonged effects of COVID-19 during the going concern period. Although the Directors consider severe downside scenarios to be unlikely, in such a case the Group would take mitigating actions and the Directors concluded that the Group would be able to reduce expenditure on its research and development programmes and other areas in order to meet its liabilities as they fall due for the going concern period.

However, additional funding will be required to support the Group's and Company's longer-term going concern status and this will be sought in a timely manner taking into account the Group's available cash resources The Group completed a £51.9m fund raising with existing and new investors in December 2019. The Directors have a reasonable expectation that the Group will be able to raise further financing to support its ongoing development and commercialisation activities. However, there can be no guarantee that the Group will be able to raise sufficient funding from existing and new investors. In the event that the Group does not successfully raise sufficient long-term funding, appropriate mitigating actions will be taken. The directors have prepared forecasts which show under current business plans, the Group's cash resources will extend at least 18 months from the date of approval of the financial statements, to Q4 2022, before any additional funding is required.

Based on the above, the Directors are satisfied that the Group and Company will have sufficient funds to meet their liabilities as they fall due for the going concern period and therefore have prepared the financial statements on a going concern basis.

1. ACCOUNTING POLICIES continued

Intangible assets

Intangible assets include the capitalisation of development costs and software for the period ending 31 December 2020.

Software which is not an integral part of hardware assets are stated at historic cost, including expenditure that is directly attributable to the acquired item, less accumulated amortisation and impairment losses.

Expenditure on research activities is recognised as an expense in the year in which it is incurred. Costs are classified as research expenditure rather than development unless all of the below criteria are met, in which case these costs are capitalised on the balance sheet.

Development criteria:

a. completion of the intangible asset is technically feasible so that it will be available for use or sale;
b. the Company intends to complete the intangible asset and use or sell it;
c. the Company has the ability to use or sell the intangible asset and the intangible asset will generate probable future economic benefits over and above cost;
d. there are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
e. the expenditure attributable to the intangible asset during its development can be measured reliably.

Amortisation commences when the project is available for sale or use within the business.

Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

Amortisation is charged so as to write off the costs of intangible assets over their estimated useful lives, on the following basis:

Software	– 3 years straight line
Development costs	– 5 years straight line
Trade Name	– 10 years straight line
Supplier Relationships	– 10 years straight line
Customer Relationships	– 10 years straight line

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Leases are recognised if they meet the criteria in IFRS 16 as a lease. Where low value or short term lease exemptions are taken the asset is classified as PPE, otherwise it is classified as a right of use asset. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below.

Depreciation is charged so as to write off the costs of assets over their estimated useful lives, on the following basis:

Leasehold property improvements	– 3 years straight line
Office equipment	– 2, 3 or 4 years straight line
Fixtures and fittings	– 3 or 4 years straight line
Motor vehicles	– 4 years straight line
Plant and machinery	– 3 years straight line or 4 years reducing balance

The gain or loss arising on the disposal of an asset is determined as the difference between sales proceeds and the carrying amount of the asset and is recognised in income on the transfer of the risks and rewards of ownership.

The Company has no class of tangible fixed asset that has been revalued. On transition to IFRS the net book values recorded at 1 March 2013 have been applied and these are based on historic cost at the date of acquisition.

Inventories

Inventories are stated at the lower of cost and net realisable value. Raw materials cost is based on the First In, First Out (FIFO) principle using standard costing techniques and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition. Finished goods cost is based on standard cost with variances between actual and standard going through the cost of sales line.

Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into, on or after 1 January 2019. For leases acquired as part of a business combination the policy applies from the acquisition date. The Group has taken the practical expedient not to reassess whether contracts at the date of initial application constituted a lease.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. On transition, the right-of-use assets were recognised at an amount equal to the lease liability, adjusted to the amount of prepaid lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:
- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Short-term leases and leases of low-value assets
The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Financial instruments
The Group predominantly enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from other third parties, loans to related parties and investments in non-puttable financial instruments. Any transactions relating to share options issued by the entity are disclosed in the share-based payment accounting policy and note 8. The Group is also able to enter into a variety of derivative financial instruments to manage its exposure to foreign exchange risk, including foreign exchange forward contracts and cross-currency swaps.

Impairment
The Group recognises loss allowances for expected credit losses ("ECLs") on financial assets measured at amortised cost, debt investments measured at FVOCI and contract assets (as defined in IFRS 15).

The Group measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, which are measured as 12-month ECL.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

1. ACCOUNTING POLICIES continued
Financial instruments continued
Impairment continued
The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, when demanded.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets
At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Write-offs
The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

Provisions under IFRS 9 may still be made to account for the probability of such default events, however such a provision being made is not indicative that an actual default event will occur.

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

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

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

Interest-bearing borrowings
Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Derivative financial instruments
Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. The Group has not applied hedge accounting in the current or comparative periods.

Foreign currencies
The functional currency of the Group is Pounds Sterling. Transactions entered into by Group entities in a currency other than the reporting currency are recorded at the rates ruling when the transaction occurred. Foreign currency monetary assets and liabilities are translated into Sterling at the rates ruling at the statement of financial position date. Exchange differences arising on the retranslation of the unsettled monetary assets and liabilities are similarly recognised in the income statement.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the translation reserve or non-controlling interest, as the case may be. When a foreign operation is disposed of, such that control, joint control or significant influence (as the case may be) is lost, the entire accumulated amount in the FCTR, net of amounts previously attributed to non-controlling interests, is recycled to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while still retaining control, the relevant proportion of the accumulated amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while still retaining significant influence or joint control, the relevant proportion of the cumulative amount is recycled to profit or loss.

Current and deferred tax
Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the statement of financial position date.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

The Company incurs research and development expenditure which qualifies for Research and Development ("R&D") tax relief and as such, prepares and submits an R&D claim to HMRC in relation to each accounting period. The claims are made on the basis that the Company and its activities meet the necessary conditions.

As the Company is currently loss making, there is no corporation tax liability arising, therefore it has chosen to convert the tax relief into payable tax credits instead of carrying forward a loss. This results in the credit being paid in cash directly to the Company following the submission of a valid claim.

The Company is claiming R&D tax relief predominately under the small or medium-sized enterprises ("SME") scheme therefore the credit is accounted for as tax in accordance with IAS 12 Income Taxes. However, where the R&D expenditure is related to monies received from research grants, the Company is claiming an R&D expenditure credit ("RDEC") under the Large Company Scheme and as such the related credit is accounted for 'above the line' in accordance with IAS 20 Accounting for Government Grants, specifically as a reduction from the related expenditure in the statement of comprehensive income.

Employee benefits

Bonus

Wages, salaries, paid annual leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

Share-based payments

Equity-settled share options are granted to certain Directors, employees and certain contractors which have been granted options to subscribe for ordinary shares. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model or where they are based on market-based performance conditions, the Monte Carlo model. Compensation expense is recognised over the tranche's vesting period based on the number of awards expected to vest, through an increase to equity. The number of awards expected to vest is reviewed over the vesting period, with any forfeitures recognised immediately.

Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Group.

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service, market and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service, market and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes. The social security element of these equity instruments is treated as cash settled with the liability recognised in other taxation and social security within trade and other payables in the consolidated balance sheet.

Share-based payment transactions in which the Group receives goods or services by incurring a liability to transfer cash or other assets that is based on the price of the Group's equity instruments are accounted for as cash-settled share-based payments. The fair value of the amount payable to employees is recognised as an expense, with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is remeasured at each balance sheet date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expense in profit or loss. Where the Company grants options over its own shares to the employees of its subsidiaries it recognises, in its individual financial statements, an increase in the cost of investment in its subsidiaries equivalent to the equity-settled share-based payment charge recognised in its consolidated financial statements with the corresponding credit being recognised directly in equity. Amounts recharged to the subsidiary are recognised as a reduction in the cost of investment in subsidiary. Where costs recharged match those incurred there is no net impact on the investment in subsidiary.

Financing income and expenses

Financing expenses comprise interest payable, finance charges on shares classified as liabilities and leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy). Financing income comprises interest receivable on funds invested, dividend income, and net foreign exchange gains.

1. ACCOUNTING POLICIES continued

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic benefit will be required to settle the obligation, the provision is reversed. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Critical accounting judgements and policy update

The application of the Group's accounting policies requires judgements in certain areas and to make estimates and assumptions concerning the future. These estimates and judgements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The following are those areas that are deemed to involve judgements and/or estimation about matters that have the most significant effect on the amounts recognised in the financial statements.

Critical accounting judgements in applying the Group's accounting policies

Capitalisation of development costs

Capitalisation of development costs requires analysis of the technical feasibility and commercial viability of the project concerned. Capitalisation of the costs will only be made where there is clear demonstration that future economic benefit will flow to the Company.

Both CE Mark and FDA clearance for the MicroBlate Fine and SlypSeal Flex were obtained during the period as well as CE Mark for Speedboat Slim, MicroBlate Flex and SpydrBlade products. Due to COVID-19 travel restrictions the Company was only able to start to undertake trials involving human patients towards the end of the year. Successful human trials and sufficient clinician training is seen as a key element of the product being able to generate future economic benefit. As at 31 December 2020 only a handful of human trial cases have been carried using the MicroBlate Fine device. Due to the lack of successful in-human procedures and training for these products, we do not yet have certainty over these devices that they can generate future economic benefits, and no costs relating to these products have been capitalised during the year.

Costs relating to the five devices mentioned above of £2.6m were expensed during the period. Costs of £0.5m on MicroBlate Fine and Splyseal Flex since receiving FDA clearance were expensed during the year due to the capitalisation criteria noted above not being met.

Costs relating to CROMA and Speedboat of £500,000 were capitalised in the prior year. No further development of these original products has been undertaken with an emphasis on developing the later versions of these devices. The £500,000 was moved from assets under construction during the year to development costs and have started to be amortised. No further development costs have been capitalised in the period.

The Group's internal budgets demonstrate that the products will generate probable future economic benefits relating to Speedboat and CROMA and therefore there is no impairment to capitalised development costs.

Recognition of deferred tax asset

Management judgement is required on whether the Group should recognise any deferred tax assets for losses. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Given the nature and stage of development of Creo Medical Limited there are significant losses accumulated to date. To determine whether a deferred tax asset should be recognised in relation to the future tax deduction that these losses represent, the Directors have considered the estimated profits over a medium to long-term forecast and the events required to achieve such forecasts. These forecasts continue to show tax losses for at least the medium term (to five years) as the Group continues to develop and commercialise its products. Given the extent of uncertainty with forecasting over a longer-term horizon, it is determined that there is not the level of convincing evidence that sufficient taxable profit will be available against which the tax losses or tax credits can be utilised. Thus, there is considered to be insufficient certainty over the timing and amount of loss recoverability for a deferred tax asset to be recognised in relation to the losses detailed in note 16.

Legal and tax related provision

Provisions are liabilities of uncertain timing or amount and therefore judgement is applied in making a reliable estimate of the quantum and timing.

Our tax due diligence raised some potential liabilities and related items which may arise in the future as a result of the business acquisition. Legal and tax related items for which a provision of £0.8m is made relates to management's assessment of the amounts that are likely to be payable in respect of potential amounts payable based on the information available. Due to the uncertainty associated with such items, it is possible, on conclusion of matters at a future date, the final outcome may differ significantly.

Given the range of possible outcomes, it is reasonably possible that outcomes within the next financial year that are different from the assumption could require a material adjustment to the carrying amount of the liability. The extent of the maximum reasonably possible range is from additional liabilities of up to £0.4m to a reduction in liabilities of up to £0.8m.

Contingent consideration

The Group has recognised contingent consideration amounts in relation to the acquisitions of Albyn Medical SL and Boucart Medical SRL in the year. Management recognises that there is a major source of estimation uncertainty relating to the fair value measurement of the contingent consideration being the forecasting of future performance, in determining whether this target will be met and therefore whether a liability should be recognised. Management have taken into account the historical performance, the current performance since acquisition, as well as internal and external factors including the impact of COVID-19. Whilst management believe it is too early to say with certainty that the target will be met, the full fair value of the contingent consideration has been recognised on acquisition.

Contingent consideration relating to the acquisition of Albyn Medical SL of £2.4m is payable if the Group achieves revenues of €20m and EBITDA of €2m in 2021 and 2022 respectively. Albyn is currently on track to exceed these targets with its current year performance and has met these targets historically. Therefore, management determine the fair value of the contingent consideration as at 31 December 2020 to be £2.4m. If the target is not met in both years then there is zero award paid.

Contingent consideration relating to the acquisition of Boucart Medical SRL of €0.5m is payable if the company achieves an average gross margin of at least 52.2% for each of the next two years following acquisition. Current year performance and its forecast of future profits indicate that Boucart is currently on track to meet this target. Therefore, management determine the fair value of the contingent consideration to be £0.4m as at 31 December 2020. If the target is not met in both years then there is zero award paid.

Operating segments

An entity is required to disclose information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. As the Group's global reach has expanded in the period, management have exercised significant judgement in determining whether presenting segment information on an alternative basis would better adhere to this core principal.

Whilst the operations in different geographical locations form a fundamental part of the Group's long-term strategy, they are in the early stages of development and the Group continues to focus on the development and commercialisation of its key range of unique endoscopic surgical devices and CROMA Advanced Energy Platform. In making their judgement, the directors considered the Group's activities and the internal reporting structures and information regularly reviewed by the entity's chief operating decision-maker to make decisions about resources to be allocated and assessing performance. After the assessment, the directors concluded that financial information at a consolidated Group level appropriately reflects the business activities in which the Group is currently engaged, and the economic environment in which it operates. As explained in note 2 of the financial statements, as the Group continues to grow it is expected that the internal reporting structure will evolve in order to meet the changing activities, goals and objectives of the business and therefore additional operating segments may be identified as appropriate in future reporting periods.

Revenue from contracts with customers

Revenue is recognised when substantially all of the risk and reward of ownership of the goods are transferred to the customer on despatch, and thus has the ability to direct the use and obtain the benefits from the goods. Revenue is recognised net of any sales tax.

Collaborative arrangements

All collaboration agreements as at 31 December 2020 have been terminated or moved to non-collaboration agreements. The result of this is that these new distribution agreements are now deemed to be a 'customer' of the entity, as defined in IFRS 15 and all sales made under these new distributor agreements are assessed against the IFRS 15 criteria upon inception of the contract to determine the appropriate accounting treatment.

Performance obligations and revenue recognition policies

Revenue is recognised in accordance with IFRS 15 at the point at which the Group's performance obligation has been satisfied. Below is a summary of the recognition policies for each type of sale:

Type of product/service	Nature and timing of satisfaction of performance obligations, including significant payments terms	Revenue recognition policies
Direct Sales of Devices/Products	Customers obtain control of medical devices or products when the goods either leave the warehouse or when they physically arrive at the customers' premises based on the shipment terms. Invoices are generated at this point with payment required within 30-60 days depending on customer terms.	Revenue is recognised when the goods leave the warehouse or are delivered to the customers' premises (depending on shipment terms).
Sales to Distributors	Distributors obtain control of medical devices or products when the goods either leave the warehouse or when they physically arrive at the distributors' premises based on the shipment terms. Invoices are generated at this point with payment required within 30-60 days depending on distributor terms.	Revenue is recognised when the goods leave the warehouse or are delivered to the distributors' premises (depending on shipment terms).
Service/Maintenance Contracts	Service and maintenance contracts are for a set period of time as specified with the customer. Our performance obligations are satisfied over the length of the contract. Customers are invoiced monthly based on the annual value of the contract agreed.	Revenue is recognised over the life of the contract on a straight-line basis. We consider this matches the satisfaction of our performance obligations of the contract.

1. ACCOUNTING POLICIES continued

Performance obligations and revenue recognition policies continued

Type of product/service	Nature and timing of satisfaction of performance obligations, including significant payments terms	Revenue recognition policies
Demonstration/ Placement Equipment	Equipment may be provided free of charge to the customer provided they purchase ancillary products, or it may transfer to them if they purchase a set volume. No contract is deemed to exist under IFRS 15 in relation to the placement of the equipment, due to the Group retaining the significant element of risks and rewards including future cashflows, a lack of commercial substance in relation to the equipment and recoverability of the asset without ability to enforce compensation for the period of use of the equipment. Where the Group retains control of the equipment it is classified as fixed asset. Where the customer obtains control the asset will be classified as a sold product and not held as an asset.	Where the rights to an asset are retained by the Group the asset is depreciated over its useful life. Where the customer obtains control of the equipment the revenue is recognised over the period in which the right was obtained. Ancillary products sold are recognised at the point of sale.
Warranty	Products manufactured by the Group have a warranty period. Customers have the right to return the product if it is faulty within this period.	Revenue is only recognised when we consider it likely that the product will not be returned. We calculate a warranty provision based on historical warranty data of comparable products. The warranty provision is accounted of under IAS 37 as a provision and an expense.

2. REVENUE AND OTHER OPERATING INCOME

The revenue split between the Group for 2020 was as follows:

All figures £	
Albyn subsidiaries	**9,397,104**
Creo Medical Limited subsidiaries	**31,776**
Total	**9,428,880**

At 31 December 2020 the Group had £nil in relation to unsatisfied or partially unsatisfied performance obligations under IFRS 15 (2019: £nil).

Segmental reporting

Operating segments are identified on the basis of internal reporting and decision making. Creo currently has one operating segment which is the research, development and distribution of electrosurgical medical devices relating to the field of surgical endoscopy.

The acqusitions of Albyn Medical SL and Boucart Medical SRL in the year was made to help us achieve the Group's objectives in this segment. As the Group continues to grow we expect the internal reporting structure to change to meet the changing goals and objectives of the business and additional operating segments may be identified in future reporting periods.

As there is only one reportable operating segment whole profit, expenses, assets, liabilities and cashflows are measured and reported on a basis consistent with the financial statements, with no additional disclosures necessary.

Other operating income

Other operating income relates to research grants. Income is recognised necessary to match it with the related costs in the profit or loss on a systematic basis over the periods in which the entity recognises expenses for the related costs for which the grants are intended to compensate. Furthermore, income is recognised only when there is reasonable assurance that the Company will comply with any conditions attached to the grant and the grant will be received. Grant income received in the year was £49k (2019: £126k).

3. LOSS BEFORE TAX

The loss before income tax is stated after charging/(crediting):

(All figures £)	31 December 2020	31 December 2019
Depreciation – owned assets	**581,813**	369,382
Depreciation – assets on hire purchase contracts	**36,235**	41,545
Depreciation – right-of-use assets	**320,751**	154,429
Amortisation	**657,620**	76,368
Impairment of intangible assets	**140,814**	–
Research and development expenditure	**10,192,891**	8,146,338

4. AUDIT AND NON-AUDIT FEES

An analysis of auditors' remuneration is as follows:

(All figures £)	31 December 2020	31 December 2019
Audit of Company	**45,000**	33,383
Audit of Subsidiaries	**125,500**	73,000
Audit fees	**170,500**	106,383
Audit-related assurance services	**8,750**	10,000
Tax compliance services	**-**	8,500
All other services	**-**	2,000
Non-audit fees	**8,750**	20,500

5. STAFF NUMBERS AND COSTS

The cost of employees (including Directors) during the period was made up as follows:

(All figures £)	31 December 2020	31 December 2019
Wages and salaries	**10,006,879**	5,749,776
Social security costs	**1,229,444**	660,709
Pension	**566,134**	395,675
Share-based payments	**728,145**	1,554,845
Total remuneration	**12,530,602**	8,361,005

The average monthly number of employees during the period was as follows:

	31 December 2020	31 December 2019
Research and development	**132**	54
Administration	**48**	17
	180	71

Pension costs incurred in the year relate to all employees. The staging date for auto-enrolment was 1 July 2017.

6. DIRECTORS' REMUNERATION

(All figures £)	31 December 2020	31 December 2019
Directors' remuneration	**2,376,237**	1,925,973
Pension	**73,079**	45,500
Share-based payments expensed	**403,763**	897,656
Total Directors' remuneration	**2,853,079**	2,869,129

Directors' emoluments disclosed above, including the fair value for share-based payment expenses, paid to the highest paid Director in the period was £949,253 (31 December 2019: £1,036,964). There were Company pension contributions of £73,079 made to defined contribution schemes during the current period (31 December 2019: £45,500). No shares were received or receivable for any Director in respect of long-term incentive schemes. The share options exercised in the period by the highest paid Director was £nil (31 December 2019: £nil).

Executive average salary and other pay related benefits in the year are below the median range for AIM listed companies of a similar market capitalisation. See the Directors' Remuneration Report for emoluments and compensation, share options and contributions to the pension scheme split by Director which form part of these audited financial statements.

7. RESEARCH AND DEVELOPMENT EXPENDITURE

During the current and comparative years, the principal activity of the entity was research and development. Expenditure on research activities is recognised in the statement of profit or loss as incurred.

8. SHARE-BASED PAYMENTS

At 31 December 2020 the Group has an established Enterprise Management Incentive ("EMI") and non-EMI schemes (the "Schemes") under which share options have been granted to certain officers, employees and certain suppliers. The Schemes are equity-settled share-based payment arrangements whereby holders of vested options are entitled to purchase shares in the Company at the market price of the shares at the grant date.

The Schemes include both market and non-market based vesting conditions. The share options may be exercised from the date that they vest until the 10th anniversary of the date of the grant. In addition to the performance-based vesting conditions the only vesting requirement is that the recipient remains in employment with the Company with the exception of tranches 11 and 12 where employment is not a criteria. All options are to be settled by the physical delivering of shares. Details of the grants under these schemes are as follows:

Award	Grant date	Number of options	Vesting conditions	Exercise price	Fair value	Contractual life of options
1	04 January 2012	2,003,760	Continual service of employment over 3 years	0.16 to 0.22	0.08 to 0.10	10 years
2	06 December 2013	243,720	Continual service of employment over 3 years	0.21	0.09	10 years
3	14 July 2015	1,121,400	Continual service of employment over 3 years	0.17	0.11	10 years
4	14 July 2015	670,680	Continual service of employment over 3 years	0.17	0.11	10 years
5	03 August 2015	1,242,000	Continual service of employment over 3 years	0.17	0.12	10 years
6	04 August 2015	216,000	Continual service of employment over 3 years	0.17	0.12	10 years
7	29 September 2016	1,944,000	Continual service of employment over 3 years	0.17	0.11	10 years
8	09 December 2016	5,907,896	Continual service of employment over 3 years	0.76	0.48	10 years
9	04 April 2018	875,902	Continual service of employment and market-based performance conditions	1.13	0.58	10 years
10	29 August 2018	1,746,718	Continual service of employment over 3 years and non-market-based performance conditions	1.54	0.84	10 years
11	18 October 2018	749,209	Non-market-based performance conditions	0.76	1.60	10 years
12	02 July 2018	1,000,000	Non-market-based performance conditions	1.26	0.67	10 years
13	17 October 2019	3,143,475	Non-market and market-based performance conditions	0.01 to1.71	0.86 to 1.69	10 years
14	18 February 2020	490,000	Non market and market-based performance conditions	0.01	0.65	10 years
15	23 July 2020	725,369	Continual service of employment over 3 years	2.01	1.18	10 years
		22,080,129				

Share option activity for the period ended 31 December 2020 is presented below:

	31 December 2020		31 December 2019	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at start of period as previously stated	**14,519,776**	**£0.75**	14,015,546	£0.72
Granted during the period	**1,215,369**	**£1.20**	371,345	£1.71
Granted during 2019	**–**	**£0.00**	2,772,130	£0.01
Forfeited during the period	**(35,607)**	**£1.54**	(1,591,045)	£1.22
Exercised during the period	**(512,423)**	**£0.30**	(1,048,200)	£0.16
Outstanding at end of period	**15,187,115**	**£0.66**	14,519,776	£0.75
Exercisable at end of period	**8,997,828**	**£0.60**	8,371,832	£0.53
Weighted average remaining contractual life (in years) of options outstanding at the period end	**–**	**6.9**	–	7.1

The estimated fair value of the share options was calculated by applying a Black-Scholes model for shares with no market-based performance conditions and a Monte Carlo model for those with a market-based performance condition. The model inputs for the current period option grants were as follows:

	31 December 2020	31 December 2019
Exercise price	**£0.10 - £2.01**	£1.71
Share price at date of grant	**£1.73 - £2.05**	£1.71
Risk-free interest rate	**0.1% - 0.75%**	0.75%
Expected volatility	**33% - 50%**	41%
Dividend yield	**0%**	0%
Contractual life of option (years)	**10**	10

Expected volatility was based on historical share price volatility for the 12 months to the grant date, which may not necessarily be the actual outcome.

(All figures £)	31 December 2020	31 December 2019
Expense arising from share-based payment transactions	**728,145**	1,554,845

The following amounts for share-based payments are reflected in the above Consolidated Statement of Profit and Loss and Other Comprehensive Income in relation to Directors:

(All figures £)	31 December 2020	31 December 2019
Professor Christopher Hancock	**130,401**	261,831
Craig Gulliford	**152,376**	342,017
Richard Rees	**120,986**	264,083
Charles Spicer	**-**	17,835
John Bradshaw	**-**	11,890
	403,763	**897,656**

9. FINANCE INCOME AND COSTS

(All figures £)	31 December 2020	31 December 2019
Finance income:		
Bank interest	**178,094**	311,288
Fair value adjustment for derivatives	**17,038**	–
Total finance income	**195,132**	**311,288**
Finance costs:		
Bank interest	**60,179**	3,831
Interest expense on lease liabilities	**11,244**	10,235
Fair value adjustment for derivatives	**-**	27,894
Unwind of the discount on lease liabilities	**25,752**	9,331
Unwind of the discount on deferred and contingent liabilities	**75,700**	–
Total finance costs	**172,875**	**51,291**

10. TAXATION

Recognised in the income statement:

(All figures £)	Note	31 December 2020	31 December 2019
Current tax:			
Current year		**(3,240,948)**	(2,696,190)
Adjustments for prior years		**-**	(8,041)
Foreign tax:		**41,151**	–
Adjustments for prior years		**-**	–
Current tax credit		**(3,199,797)**	**(2,704,231)**
Deferred tax:			
Origination and reversal of temporary timing differences	16	**53,717**	–
Total tax credit		**(3,146,080)**	**(2,704,231)**

10. TAXATION continued

Reconciliation of effective tax rate:

(All figures £)	31 December 2020	31 December 2019
Loss for the period	**(20,315,725)**	(15,911,150)
Total credit	**(3,146,080)**	(2,704,231)
Loss excluding taxation	**(23,461,805)**	(18,615,381)
Tax using the UK corporation tax rate of 19% (2019: 19%)	**(4,457,743)**	(3,536,922)
Research and development	**(1,475,227)**	(1,160,130)
Movement in deferred tax not provided	**2,692,041**	1,949,141
Difference arising due to tax rate changes	**–**	66,642
Non-deductible expenses	**160,970**	(14,921)
Equity-settled share-based payments	**(135,776)**	
Different tax rates applied in overseas tax jurisdictions	**69,655**	–
Adjustment for prior years	**–**	(8,041)
Total tax credit	**(3,146,080)**	(2,704,231)

The Group has submitted R&D tax relief claims under the small or medium-sized enterprises ("SME") scheme and £3,345,000 (2019: £2,704,231) has therefore been accounted as a tax credit in accordance with IAS 12 Income Taxes. In addition, the Group has also submitted R&D claims under the large company ("RDEC") scheme in relation to monies received from research grants. In accordance with IAS 20 Accounting for Government Grants, an amount of £1,839 (2019: £6,008) has been accounted for 'above the line' as a reduction from the related expenditure in the statement of comprehensive income.

11. EARNINGS PER SHARE

Earnings per share has been calculated in accordance with IAS 33 – Earnings Per Share using the loss for the period after tax, divided by the weighted average number of shares in issue.

	31 December 2020	31 December 2019
(Loss)		
(Loss) attributable to equity holders of the Company (basic)	**(20,315,725)**	(15,911,150)
Shares (number)		
Weighted average number of ordinary shares in issue during the period	**155,797,600**	121,343,612
Earnings per share		
Basic and diluted	**(0.13)**	(0.13)
Ordinary shares start of year	**150,378,758**	120,495,385
Issued in year		
Issue 1 – Ordinary	**26,316**	770,840
Issued with months remaining	**11**	10
Issue 2 – Ordinary	**114,947**	277,360
Issued with months remaining	**10**	9
Issue 3 – Ordinary	**7,000,000**	28,835,173
Issued with months remaining	**9**	–
Issue 4 – Ordinary	**72,000**	–
Issued with months remaining	**4**	–
Issue 5 – Ordinary	**299,160**	–
Issued with months remaining	**1**	–
Closing ordinary shares	**157,891,181**	150,378,758
Average ordinary shares	**155,797,600**	121,343,612
Basic EPS	**(0.13)**	(0.13)

12. INTANGIBLE ASSETS AND GOODWILL

(All figures £)	Goodwill	Trade name	Customer relationships	Supplier relationships	Development costs capitalisation	Computer software	Assets under construction	Total
Cost:								
At 1 January 2019	–	–	–	–	–	15,809	303,162	318,971
Additions	–	–	–	–	–	62,181	571,614	633,795
Transferred	–	–	–	–	150,000	153,162	(303,162)	–
At 31 December 2019	–	–	–	–	150,000	231,152	571,614	952,766
Amortisation:								
At 1 January 2019	–	–	–	–	–	11,157	–	11,157
Charge for period	–	–	–	–	30,000	46,368	–	76,368
At 31 December 2019	–	–	–	–	30,000	57,525	–	87,525
Net book value at 31 December 2019	–	–	–	–	120,000	173,626	571,614	865,241
Cost:								
At 1 January 2020	**–**	**–**	**–**	**–**	**150,000**	**231,152**	**571,614**	**952,766**
Additions	**–**	**–**	**–**	**–**	**–**	**22,710**	**68,752**	**91,462**
Acquired on business combination	**18,545,914**	**1,269,140**	**1,181,872**	**7,808,178**	**–**	**–**	**–**	**28,805,104**
Transferred	**–**	**–**	**–**	**–**	**500,000**	**92,388**	**(592,388)**	**–**
Effect of movements in exchange rate	**(284,309)**	**(19,760)**	**(21,093)**	**(108,738)**	**–**	**–**	**–**	**(433,900)**
At 31 December 2020	**18,261,605**	**1,249,380**	**1,160,779**	**7,699,440**	**650,000**	**346,250**	**47,978**	**29,415,432**
Amortisation:								
At 1 January 2020	**–**	**–**	**–**	**–**	**30,000**	**57,525**	**–**	**87,525**
Charge for period	**–**	**48,008**	**48,366**	**277,921**	**130,000**	**153,325**	**–**	**657,620**
Impairment	**–**	**–**	**–**	**–**	**–**	**92,836**	**47,978**	**140,814**
At 31 December 2020	**–**	**48,008**	**48,366**	**277,921**	**160,000**	**303,686**	**47,978**	**885,959**
Net book value at 31 December 2020	**18,261,605**	**1,201,372**	**1,112,413**	**7,421,519**	**490,000**	**42,564**	**–**	**28,529,473**

Capitalised development costs

Capitalised development costs of £500,000 have been transferred from assets under construction during the year and have started to be amortised. No development costs were capitalised during the year (31 December 2019: £500,000).

Assets under construction

Assets under construction in the year include the additions to the Enterprise Resource Planning ("ERP") system of £68,752 (31 December 2019: £112,735).

Impairment of intangible assets

An impairment charge of £140,814 was made in the year in relation to capitalised ERP costs in the current and prior year. At 31 December 2020 we determined that we would be changing ERP systems to align with other Group entities, therefore the capitalised ERP costs relating to additional ERP functionality was deemed to no longer provide value to the Group.

Goodwill impairment test

Goodwill assets considered significant in comparison to the Group's total carrying amount of such assets have been allocated to cash generating units or groups of cash generating units as follows:

All figures £	31 December 2020	31 December 2019
Albyn Group of CGUs	**16,169,847**	–
Boucart single CGU	**2,091,758**	–
	18,261,605	–

Due to the close proximity of the Boucart acquisition to the year end no formal impairment assessment was carried out at the year end. An impairment assessment will be carried out within 12 months of the acquisition of Boucart.

12. INTANGIBLE ASSETS AND GOODWILL continued

Goodwill impairment test continued

Goodwill arising on acquisition of Albyn has been allocated to a single CGU Group which consists of the seven subsidiary entities within the Albyn Group, each being classified as a CGU unit. The recoverable amount of this CGU Group was based on value in use, estimated using discounted cashflows. The key assumptions used in the calculation are shown in the table below:

Pre-tax discount rate	13.6%
Terminal value growth rate	2.0%
Budgeted revenue growth rate (average of next 5 years)	6.0%

The discount rate has been calculated based on the weighted average cost of capital for Albyn Medical, based on the capital asset pricing model. In calculating the relevant inputs we considered historical and long-term market return studies, data from comparable companies within the industry and other relevant external data.

The growth rate was based on a five year forecast based on management expectations with revenue assumed to reduce to a 2% terminal growth rate over the long term. The Group has conducted sensitivity analysis on the impairment testing. Management believe no reasonably possible change in the key assumptions individually or a combination of for the group of CGUs would result in an impairment.

13. PROPERTY, PLANT AND EQUIPMENT

(All figures £)	Leasehold improvements	Office equipment	Fixtures and fittings	Motor vehicles	Plant and machinery	Assets under construction	Demo equipment	Right-of-use asset leases	Total
Cost:									
At 1 January 2019	486,716	449,814	70,661	10,000	811,959	18,338	–	470,913	2,318,401
Additions	82,165	99,913	–	–	60,891	241,037	–	–	484,006
Transferred	–	70,661	(70,661)	–	18,338	(18,338)	–	–	–
At 31 December 2019	568,881	620,388	–	10,000	891,188	241,037	–	470,913	2,802,407
Depreciation:									
At 1 January 2019	135,872	324,781	69,788	10,000	400,791	–	–	–	941,232
Charge for period	107,472	89,154	–	–	214,302	–	–	154,429	565,357
Transferred	–	69,788	(69,788)	–	–	–	–	–	–
At 31 December 2019	243,344	483,723	–	10,000	615,093	–	–	154,429	1,506,589
Net book value at 31 December 2019	325,537	136,665	–	–	276,095	241,037	–	316,484	1,295,818
Cost:									
At 1 January 2020	**568,881**	**620,388**	**–**	**10,000**	**891,188**	**241,037**	**–**	**470,913**	**2,802,407**
Acquired in business combination	**85,714**	**282,281**	**270,170**	**402,948**	**165,162**	**–**	**654,999**	**1,307,873**	**3,169,147**
Additions	**42,245**	**43,915**	**–**	**92,715**	**223,928**	**28,729**	**53,239**	**803,435**	**1,288,206**
Transferred	**–**	**127,082**	**–**	**–**	**113,955**	**(241,037)**	**–**	**–**	**–**
Disposals	**–**	**(54,144)**	**(86,336)**	**–**	**–**	**–**	**–**	**–**	**(140,480)**
Exchange rate movements	**(2,198)**	**(5,038)**	**(4,822)**	**(7,192)**	**(3,359)**	**–**	**(11,689)**	**(116,093)**	**(150,391)**
At 31 December 2020	**694,642**	**1,014,484**	**179,012**	**498,471**	**1,390,874**	**28,729**	**696,549**	**2,466,128**	**6,968,889**
Depreciation:									
At 1 January 2020	**243,344**	**483,723**	**–**	**10,000**	**615,093**	**–**	**–**	**154,429**	**1,506,589**
Acquired in business combination	**82,702**	**186,663**	**202,114**	**239,596**	**145,759**	**–**	**427,327**	**–**	**1,284,161**
Charge for period	**131,051**	**136,553**	**3,245**	**41,294**	**258,226**	**–**	**47,679**	**320,751**	**938,799**
Transferred	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Disposals	**–**	**(53,458)**	**(85,627)**	**–**	**–**	**–**	**–**	**–**	**(139,085)**
At 31 December 2020	**457,097**	**753,481**	**119,732**	**290,890**	**1,019,078**	**–**	**475,006**	**475,180**	**3,590,464**
Net book value at 31 December 2020	**237,545**	**261,003**	**59,280**	**207,581**	**371,796**	**28,729**	**221,543**	**1,990,948**	**3,378,425**

The Group leases production equipment which secures lease obligations. At 31 December 2020, the net carrying amount of leased equipment was £73,099 (2019: £27,023).

The Group acquired assets in a business combination of 1,734,595 during the year.

Assets under construction for the year of £28,729 (2019: £241,037) relate to leasehold improvements in our Bath R&D facility. Our cell culture lab was completed during the year with £241,037 of cost being transferred to office equipment and plant and machinery.

14. INVENTORIES

(All figures £)	31 December 2020	31 December 2019
Raw material and consumables	**1,044,239**	639,109
Finished goods	**5,768,013**	88,049
Total inventories	**6,812,252**	727,158

These carrying values are stated net of impairment provisions of £712,387 (2019: £380,955). Inventories of £457,182 (2019: £146,624) were written down during the period and the expense recognised in the income statement. The Directors are of the opinion that the replacement values of inventories are not materially different to the carrying values stated above.

15. TRADE AND OTHER RECEIVABLES

(All figures £)	31 December 2020	31 December 2019
Current:		
Trade receivables	**4,237,288**	–
Accrued other income	**35,102**	61,403
Other debtors	**1,128,315**	686,927
Prepayments	**232,500**	240,547
VAT	**-**	627,442
Total current	**5,633,205**	1,616,319
Non-current:		
Other debtors	**111,780**	8,400
Total trade and other receivables	**5,744,985**	1,624,719

An expected credit loss provision of £336,579 in relation to trade debtors has been booked during the year. An expected credit loss provision was calculated for the other debtors balance and was deemed immaterial and therefore not recognised.

16. DEFERRED TAX AND OTHER TAX RECEIVABLES

The accelerated capital allowances deferred tax liability set out below is expected to reverse over the life of the related fixed assets. Deferred tax has been calculated at a rate of 19% (2019: 17%).

The movement on the deferred tax account is as shown below:

(All figures £)	31 December 2020	31 December 2019
Movement:		
At 1 January	**-**	–
Tax charge recognised in profit and loss	**53,717**	–
	53,717	–
Acquisition of subsidiaries	**1,452,296**	–
Exchange rate movements	**15,944**	–
At 31 December	**1,521,957**	–

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes.

(All figures £)	31 December 2020	31 December 2019
Balances:		
Accelerated capital allowances	**150,250**	117,865
Intangible assets	**2,552,877**	–
Pension accruals and other temporary timing differences	**(363,540)**	(60,680)
Tax losses offset (see below)	**(817,630)**	(57,185)
	1,521,957	–

There are unused trading losses at 31 December 2020 of approximately £52,759,000 (31 December 2019: £29,784,000). A deferred tax asset of approximately £9,755,000 (31 December 2019: £5,006,054) has not been recognised in respect of these tax losses due to uncertainty in respect of its recoverability. A deferred tax asset of approximately £2,126,000 arises in respect of the share options that haven't yet been exercised. This has not been recognised due to uncertainty in respect of its recoverability.

16. DEFERRED TAX AND OTHER TAX RECEIVABLES continued

(All figures £)	31 December 2020	31 December 2019
Deferred tax asset	**474,289**	–
Deferred tax liability	**(1,996,246)**	–
Net deferred tax liability	**(1,521,957)**	–

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. In the 11 March 2020 Budget, it was announced that the UK tax rate will remain at the current 19% and not reduce to 17% from 1 April 2020. This change was substantively enacted on 17 March 2020, and received Royal Assent on 22 July 2020. The recognised and unrecognised UK deferred tax asset as at the current balance sheet date have been calculated on this basis.

In the 3 March 2021 Budget it was announced that the main rate of corporation tax will increase to 25% from 1 April 2023. This was substantively enacted on 24 May 2021. This will have a consequential impact on the Company's future tax charge. If this rate change had been substantively enacted at the current balance sheet date, the recognised deferred tax liability would have increased by approximately £608,000. Likewise, the unrecognised UK deferred tax asset would have increased by £3,106,812.

Tax receivables at 31 December 2020 of £3,346,839 (31 December 2019: £2,702,198) relate solely to R&D tax credits. The Company has submitted R&D tax credit claims for the periods presented in relation to its qualifying research and development expenditure and has taken the option of surrendering the resulting losses and claiming an R&D tax credit in the form of immediate cash payments from HMRC.

17. TRADE AND OTHER PAYABLES

(All figures £)	31 December 2020	31 December 2019
Current:		
Trade payables	**2,458,926**	923,318
Social security and other taxes	**295,328**	713,134
VAT	**160,296**	–
Other payables	**1,851,453**	24,636
Accrued expenses	**5,194,276**	3,205,028
Derivative Liability	**–**	17,037
PPE Loan	**1,789,944**	–
Deferred and Contingent Consideration	**4,067,798**	–
Total current	**15,818,021**	4,883,153
Non-current:		
Deferred and Contingent Consideration	**2,318,909**	–
Total trade and other payables	**18,136,930**	4,883,153

The PPE loan relates to a loan provided to the Group subsidiary Albyn Medical SL from the Spanish Government for the procurement of PPE equipment for Spanish hospitals and other industries. The loan is interest-free and payment is made back once the PPE has been purchased in Spain and the funds received. The initial loan was for €4m of which €2m has been paid to date. As at 31 December 2020 the Group had £1,654,665 of PPE stock. Albyn purchase PPE using the loan with suppliers based on an 'arms length' transaction. The PPE is then sold on to the end customer at a set price. Albyn do not have a mark up on product however where larger quantities are purchased some element of profit is made. The risks and rewards are all with Albyn and therefore this has been accounted for as a normal transaction as a principal. The proceeds received then go to pay back the loan provided by the government.

As at 31 December 2020 the Group has deferred consideration in relation to the Albyn Medical acquisition of £2,154,197, £313,240 of deferred consideration relating to Albyn Medical's historic acquisition of Endo-Technik purchased as part of the Albyn Medical acquisition and £1,182,106 in relation to the acquisition of Boucart Medical SRL.

A contingent consideration liability of £2,309,667 has been recognised in the accounts in relation to the acquisition of Albyn Medical SL. The Group considered it probable that the targets will be achieved and the provision will be paid in full. A contingent consideration liability of £427,497 has been recognised in the accounts in relation to the acquisition of Boucart Medial SRL. The Group considered it probable that the targets will be achieved and the provision will be paid in full. See Note 23 for goodwill disclosures.

18. FINANCIAL INSTRUMENTS

Carrying amount of financial instruments

The amounts for all financial assets carried at fair value are as follows:

(All figures £)	31 December 2020	31 December 2019
Investments:		
I.Q. Endoscopes	**500,000**	–
Foreign currency forward contracts:		
Assets	**-**	–
Liabilities	**-**	17,038

Reconciliation to cashflow movements

	Gross loan	Lease liabilities
01 January 2020	**357,322**	359,763
Assumed in business combinations	**6,638,797**	1,261,207
Additions	**2,055,000**	758,518
Cashflow principals	**(497,049)**	(391,404)
Cashflow interest	**(33,004)**	(1,593)
Non-cashflow changes*	**32,731**	24,428
31 December 2020	**8,553,797**	2,010,919

* Non-cashflow changes relate to effective interest rate charge on the CCR loan and lease interest incurred on IFRS 16 leases.

Financial instruments measured at fair value

The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate. No forward exchange contracts were in place as at 31 December 2020.

Financial risk management

The main purpose of the Company's financial instruments is to finance the Company's operations. The financial instruments comprise of leases, foreign currency forward contracts, bank loans and facilities, cash and liquid resources and various items arising directly from its operations, such as trade receivables and trade payables. The main risks arising from the Company's finance instruments are exchange rate risk and liquidity risk. The Company's policies on the management of liquidity and foreign currency risks are set out below.

Fair values of financial instruments

All financial assets and liabilities are held at amortised cost apart from forward exchange contracts, and the investment which are held at fair value. Foreign exchange contracts changes go through the statement of profit or loss.

We have made an irrevocable election to classify fair value changes of the investment in I.Q. Endoscopes through other comprehensive income rather than through profit or loss, the impact of this being any changes in fair value will never be reclassified through the profit or loss account even if the investment is disposed of. Management rationale for this treatment is that the investment is not being held for the purposes of future sale or to receive returns. Instead the investment is to help develop their disposable endoscopy products and potential synergies this could have with the Creo product range.

The company has not disclosed the fair values for certain financial instruments such as short-term trade receivables and payables, because their carrying amounts are a reasonable approximation of fair values. Short and long-term interest bearing liabilities, as detailed in note 19, are discounted at the effective interest rate of the respective financial liability and their carrying value is considered to be a reasonable approximation of their fair value.

The Company measured the fair value of instruments which are categorised as level 2 in the fair value hierarchy, being the investment in I.Q. Endoscopes as the price paid per share by other shareholders who also invested in the entity at the same time as the Group.

Liquidity

The Company's policy is to ensure that it has sufficient cash resources to cover its future trading requirements which is predominately sourced from its shareholders and investors. Short-term flexibility is available through current investor support via funding rounds held when required.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and investments in debt securities.

Trade Receivables and contract assets

The carrying amounts of financial assets and contract assets represent the maximum credit exposure. As at 31 December 2020 no investments in debt securities or other contract assets were held and receivables from customers were £4,572,867.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate.

18. FINANCIAL INSTRUMENTS continued

Credit risk continued

Trade Receivables and contract assets continued

Each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, if they are available and review of financial statements. Where it is deemed the risk of the customer defaulting may be high the Group will require the customer to pre-pay for items for a certain length of time before offering credit terms.

The Group limits its exposure to credit risk from trade receivables by establishing a maximum payment period of one and three months for customers. The terms very depending on their individual characteristics such as credit risk assessment, geographical local and public or private customers. The majority of the Group's customers have been transacting with the Group for a number of years with no credit issues arising.

Expected credit loss assessment for trade receivables

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets from individual customers as at 31 December 2020.

(All figures £)	Weighted Average Loss	Gross Carrying Amount	Loss Allowance
Current (not past due)	1%	2,249,925	(22,435)
0-60 days	5%	909,726	(44,604)
61-120 days	11%	298,298	(33,557)
121-180 days	22%	216,236	(46,768)
More than 180 days past due	100%	189,215	(189,215)
		3,863,400	(336,579)

The Group uses an allowance matrix to measure the ECLs of trade receivables consistent with IFRS 9. Loss rates are calculated using historical write-off data from the last 18 months to work out the probability of default based on the aging of the receivable. At 31 December 2020 the ECL for trade receivables was £336,579.

The movement in the allowance for impairment in respect of trade receivables and contract assets during the year was as follows:

(All figures £)	2020	2019
Balance at 1 January	**–**	–
Loss allowance movement	**(336,579)**	–
Specific amounts provided for	**(110,318)**	–
Balance at 31 December	**(446,897)**	–

Specific amounts of £110,318 were provided for in the year relate to the specific customer debts which we deem to be credit impaired.

Foreign exchange risk

The Company currently purchases certain materials throughout the world in connection with research and development of its primary product. The Company also has subsidiaries which operate in a different functional currency. The consequence of this is that the Company is exposed to movement in foreign currency rates. Liabilities within the Group are settled where possible using the currency of the liability to reduce foreign exchange exposure. Forward foreign exchange contracts are used to manage the net foreign exchange exposure where appropriate.

19. INTEREST-BEARING LIABILITIES

(All figures £)	Note	31 December 2020	31 December 2019
Current:			
Lease liabilities	26	**624,340**	173,193
Bank credit facilities		**1,545,661**	–
Bank loans		**1,853,118**	–
Non-current:			
Lease liabilities	26	**1,386,579**	186,570
Bank loan		**3,074,947**	–
Commercial loan		**2,080,071**	357,322
		10,564,716	717,085
Lease liabilities are payable as follows:			
Less than one year		**624,340**	173,193
Between one and five years		**1,235,153**	186,570
More than five years		**151,426**	–
		2,010,919	359,763
Bank borrowings are payable as follows:			
Less than one year		**3,398,779**	–
Between one and five years		**5,155,018**	357,322
More than five years		**-**	–
		8,553,797	357,322
		10,564,716	717,085

19. INTEREST-BEARING LIABILITIES continued

The terms and conditions of outstanding loans are as follows:

				31 December 2020		31 December 2019	
(All figures £)	Currency	Nominal interest rate	Year of maturity	Face value	Carrying value	Face value	Carrying value
Secured Bank Loan	EUR	EURIBOR+2%	2022	**89,496**	**33,856**	–	–
Secured Bank Loan	EUR	EURIBOR+2,5%	2023	**178,994**	**93,177**	–	–
Secured Bank Loan	EUR	EURIBOR+2%	2022	**71,598**	**27,170**	–	–
Secured Bank Loan	EUR	EURIBOR+2%	2022	**17,899**	**6,694**	–	–
Secured Bank Loan	EUR	EURIBOR+2%	2023	**35,799**	**18,235**	–	–
Secured Bank Loan	EUR	EURIBOR+2%	2023	**143,196**	**73,815**	–	–
Secured Bank Loan	EUR	2%	2023	**178,994**	**94,661**	–	–
Secured Bank Loan	EUR	EURIBOR+2%	2022	**89,497**	**33,858**	–	–
Secured Bank Loan	EUR	EURIBOR+2%	2023	**178,994**	**92,179**	–	–
Secured Bank Loan	EUR	EURIBOR+1%	2023	**134,246**	**80,547**	–	–
Secured Bank Loan	EUR	EURIBOR+1%	2023	**134,246**	**81,672**	–	–
Secured Bank Loan	EUR	EURIBOR+1%	2023	**134,246**	**81,351**	–	–
Secured Bank Loan	EUR	EURIBOR+1%	2023	**134,246**	**80,547**	–	–
Unsecured Bank Loan	EUR	EURIBOR+2%	2023	**536,983**	**338,803**	–	–
Unsecured Bank Loan	EUR	2%	2022	**107,397**	**45,794**	–	–
Unsecured Bank Loan	EUR	EURIBOR+2%	2023	**536,983**	**329,084**	–	–
Unsecured Bank Loan	EUR	1%	2025	**313,240**	**267,394**	–	–
Unsecured Bank Loan	EUR	2%	2022	**107,397**	**45,794**	–	–
Unsecured Bank Loan	EUR	EURIBOR+2%	2023	**536,983**	**328,519**	–	–
Unsecured Bank Loan	EUR	2%	2025	**357,989**	**280,052**	–	–
Unsecured Bank Loan	EUR	EURIBOR+1,9%	2022	**107,397**	**47,954**	–	–
Unsecured Bank Loan	EUR	3%	2022	**268,492**	**107,142**	–	–
Unsecured Bank Loan	EUR	2%	2023	**536,983**	**329,722**	–	–
Unsecured Bank Loan	EUR	1%	2023	**178,994**	**134,973**	–	–
Unsecured Bank Loan	EUR	1%	2025	**357,989**	**346,056**	–	–
Unsecured Bank Loan	EUR	2%	2025	**357,989**	**346,553**	–	–
Unsecured Bank Loan	EUR	2%	2025	**357,989**	**346,623**	–	–
Unsecured Bank Loan	EUR	EURIBOR+1,75%	2025	**357,989**	**352,275**	–	–
Unsecured Bank Loan	EUR	0.44%	2021	**89,497**	**29,917**	–	–
Unsecured Bank Loan	EUR	0.87%	2021	**29,419**	**14,742**	–	–
Unsecured Bank Loan	EUR	0.46%	2021	**76,073**	**76,073**	–	–
Unsecured Bank Loan	EUR	0.50%	2021	**20,833**	**20,833**	–	–
UK Secured Bank Loan	GBP	2.80%	2021	**342,000**	**342,000**	342,000	357,322
Commercial Loan	GBP	5%	2025	**2,055,000**	**2,080,071**	–	–
Short-term Credit with Banks	EUR	1.45-1.75%	2021	**1,619,899**	**1,545,661**	–	–
Lease Liabilities	EUR	1.5%-4%	2021-26	**1,771,430**	**1,575,358**	–	–
Lease Liabilities	GBP	2.8%-5%	2021-24	**728,669**	**435,561**	470,913	359,763
Total interest-bearing liabilities				**13,275,065**	**10,564,716**	812,913	717,085

The secured bank loans (other than the UK Secured Bank Loan) belong to Albyn Medical SL and are guaranteed by Elkargi. None of the loans, with the exception of the commercial loan, have covenants attached to them. The commercial loan is provided by Cardiff Capital Region for the sum of £2,055,000 with the first year interest free. The loan has a 1:1 cashflow covenant attached which becomes active on the third anniversary of the commencement of the loan. The lease liabilities are detailed at Note 26.

20. PROVISIONS

(All figures £)	Warranties	Dilapidations	Legal and tax	Other	Total
At 1 January 2020	**–**	**157,500**	**204,890**	**–**	**362,390**
Assumed in business combination	**88,523**	**196,735**	**884,372**	**148,709**	**1,318,339**
Provisions made in the year	**–**	**104,450**	**–**	**–**	**104,450**
Provisions used in the year	**–**	**–**	**(328,455)**	**–**	**(328,455)**
At 31 December 2020	**88,523**	**458,685**	**760,807**	**148,709**	**1,456,724**
Non-current	**–**	**458,685**	**760,807**	**–**	**1,219,492**
Current	**88,523**	**–**	**–**	**148,709**	**237,232**
	88,523	**458,685**	**760,807**	**148,709**	**1,456,724**

Warranty provisions
Warranty provisions relate to Albyn own brand products and services provided and is based on historical warranty data associated with similar products and services sold. Management expect the provision to be settled with 12 months of the year end.

Dilapidation provisions
Provisions have been made for the estimated restoration costs of the leased premises at our UK, Spain, France, Germany and Belgium sites.

Provisions for dilapidations are inherently uncertain in terms of quantum and timing, not least because they involve negotiations with landlords at future dates. The figures provided in the financial statements represent management's best estimate of the likely outflows to the Group.

Legal and tax provisions
Our tax due diligence raised some potential tax liabilities and fines which may arise in the future as a result of the business acquisition. A tax liability was recognised at the year end within other creditors and so has been released from the provision assumed in the business combination.

Other provisions
Other provisions include pensions provision of £110,000 as well as other staff benefit provisions which are required in local jurisdictions. Management expect these liabilities to be settled within 12 months of the year end.

21. SHARE CAPITAL AND RESERVES

(All figures £)	31 December 2020	31 December 2019
Balance at start of period	**150,378**	**120,495**
Issue of share capital		
Number of shares	7,512,423	29,883,373
Price per share (£)	0.001	0.001
Share value (£)	7,513	29,883
Balance at end of period	**157,891**	**150,378**

During the period 512,427 share options were exercised, with 7,000,000 shares being issued to an Employee Benefit Trust. The total number of issues in the period was 7,512,427 £0.001 ordinary shares. The Group has a single class of share: ordinary shares £0.001.

Share capital
Share capital is the amount of nominal value of shares held by shareholders. At 31 December 2020 157,891,181 shares have been issued, each with the nominal value of £0.001 equalling a share capital for the Company of £157,891. All ordinary shares rank as pari passu with regards to voting, dividends and rights on winding up.

Share premium
The share premium reserve comprises the difference between the nominal value and the value received on share issue offset by the costs directly associated with obtaining the capital funding e.g. legal fees.

Merger reserve
The merger reserve reflects the difference between the existing share capital and premium of Creo Medical Limited prior to share for share exchange and the nominal value of shares issued. Refer to Note 1 Business combinations and basis of consolidation.

Share option reserve
The share option reserve reflects the cost to the Group of share options granted but not yet exercised. Refer to Note 8 Share-based payments.

Retained earnings
Retained earnings including profit or loss for the year comprises the earned profit of the Parent Company and its subsidiary.

21. SHARE CAPITAL AND RESERVES continued

Foreign exchange gain or loss reserve

The foreign exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. Unrealised foreign exchange gains or losses from currency translations of foreign subsidiaries will go through other comprehensive income and into the foreign exchange gain or loss reserve. On disposal of a foreign operation the gain or loss will become realised and recognised as a profit or loss.

22. CASH FROM SHARE ISSUE

(All figures £)	31 December 2020	31 December 2019
Share issue:		
Share options exercised	**152,200**	168,503
Issued to EBT Trust	**7,000**	–
Share placing AIM 23 December 2019	**–**	51,903,311
Transaction costs AIM 23 December 2019	**–**	(2,765,981)
	159,200	49,305,833

23. ACQUISITION OF SUBSIDIARY

Acquisition of Albyn Medical SL

On 23 July 2020, the Group acquired 90% of the shares and voting interests in Albyn Medical SL, with the remaining 10% to be purchased in the next two years.

Included in the identifiable assets and liabilities acquired at the date of acquisition of Albyn are inputs (a head office, several warehouses, inventories, supplier relationships and customer relationships), production processes and an organised workforce. The Group has determined that together the acquired inputs and processes significantly contribute to the ability to create revenue. The Group has concluded that the acquired set is a business.

Acquiring Albyn will enable the Group to access the European market, leveraging customer and supplier relationships to further penetrate the market with the core Creo products. The acquisition is also expected to provide positive cashflows for the Group.

For the five months ended 31 December 2020, Albyn contributed revenue of £9,397,304 and profit of £464,367 to the Group's results. If the acquisition had occurred on 1 January 2020, management estimates that consolidated revenue would have been £18.6m, and consolidated profit for the year would have been £2.2m. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition, would have been the same if the acquisition had occurred on 1 January 2020.

A. Consideration transferred

The following table summarises the acquisition date fair value of each major class of consideration transferred.

(All figures £)	
Cash	
Cash consideration	20,031,650
Deferred consideration	2,127,653
Contingent consideration	1,054,274
Total consideration transferred	23,213,577

i) Equity instruments issued

The fair value of the ordinary shares issued by Albyn Medical SL at 23 July 2020 was £13.54 (€15.13) per share.

ii) Contingent consideration

The Group has agreed to pay Monkey Business Consultants SL additional consideration of £2.4m if the Albyn Medical Group achieves revenues of €20m and EBITDA of €2m in 2021 and 2022 respectively. The Group has included the full value of £2.4m as contingent consideration in the accounts as at 31 December 2020. Per IFRS 3 requirements £1.2m has been recognised as a liability and will be charged to the P&L over 3 years. As at 31 December 2020 the P&L charge was £167,807. The remaining £1.2m has been discounted to the net present value on initial recognition which was £1.1m.

B. Acquisition-related costs

The Group incurred acquisition-related costs of £328,997 on legal fees and due diligence costs. These costs have been included in 'administrative expenses'.

C. Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

(All figures £)

Property, plant and equipment	1,673,479
Supplier relationships	5,983,782
Trade name	1,087,391
Customer relationships	1,160,779
Inventories	6,831,109
Deferred tax asset	1,046,431
Trade receivables	2,988,902
Other receivables	701,982
Cash and cash equivalents	1,813,884
Loans and borrowings	(8,315,177)
Provisions	(2,321,865)
Deferred tax liability	(1,836,633)
Trade and other payables	(3,770,334)
Total identifiable net assets acquired	7,043,730

Measurement of fair values

Assets acquired	Valuation technique
Property, plant and equipment	Market comparison technique and cost technique: The valuation model considers market prices for similar items when they are available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.
Intangibles	Relief-from-royalty method and multi-period excess earnings method: The relief-from-royalty method considers the discounted estimated royalty payments that are expected to be avoided as a result of the patents being owned. This method was used to calculate the value of the trade name. The multi-period excess earnings method considers the present value of net cash flows expected to be generated by the customer or supplier relationships, by excluding any cash flows related to contributory assets. This method was used to calculate the value of the supplier and customer relationships identified.
Inventories	Market comparison technique: The fair value is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

The trade receivables comprise gross contractual amounts due of £3,245,286, of which £229,456 has been provided for based on the historical loss rate at the date of acquisition.

D. Goodwill

Goodwill arising from the acquisition has been recognised as follows.

(All figures £)

Consideration transferred	23,213,577
Fair value of identifiable assets	(7,043,730)
Goodwill	16,169,847

Acquisition of Boucart Medical SRL

On 2 November 2020, the Group's subsidiary Albyn Medical SL acquired 100% of the shares and voting interests in Boucart Medical SRL.

Included in the identifiable assets and liabilities acquired at the date of acquisition of Boucart are inputs (a head office, warehouse, inventories and supplier relationships), production processes and an organised workforce. The Group has determined that together the acquired inputs and processes significantly contribute to the ability to create revenue. The Group has concluded that the acquired set is a business.

Acquiring Boucart will enable the Group to access the Belgian and Luxembourg markets, leveraging customer and supplier relationships to further penetrate the market with both Albyn and Creo products. The acquisition is also expected to provide positive cashflows for the Group.

For the two months ended 31 December 2020, Boucart contributed revenue of £550,755 and profit of £96,277 to the Group's results (these results have been included in the Albyn revenue and profit above). If the acquisition had occurred on 1 January 2020, management estimates that consolidated revenue would have been £3.3m, and consolidated profit for the year would have been £0.5m. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition, would have been the same if the acquisition had occurred on 1 January 2020.

23. ACQUISITION OF SUBSIDIARY continued

A. Consideration transferred

(All figures £)	
Cash	
Cash consideration	2,939,641
Deferred consideration	1,228,522
Contingent consideration	425,112
Total consideration transferred	4,593,275

i) Equity instruments issued

The fair value of the ordinary shares issued by Boucart Medical SRL at 2 November 2020 was £995 (€1,112) per share.

ii) Contingent consideration

The Group has agreed to pay an additional €500,000 to the previous shareholders of Boucart if they achieved an average gross margin of at least 52.2% for each of the next two years following the acquisition. Management consider it probable that this earn out will be achieve and have determined the fair value to be £425,112 at the acquisition date.

B. Acquisition-related costs

The Group incurred acquisition-related costs of £9,500 on legal fees and due diligence costs. These costs have been included in 'administrative expenses'.

C. Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

(All figures £)	
Property, plant and equipment	125,104
Supplier relationships	1,715,661
Trade name	161,990
Inventories	228,810
Trade receivables	899,984
Other receivables	627
Cash and cash equivalents	570,912
Loans and borrowings	(70,822)
Provisions	(260,862)
Deferred tax liability	(519,476)
Trade and other payables	(350,411)
Total identifiable net assets acquired	2,501,517

Measurement of fair values

Assets acquired	Valuation technique
Property, plant and equipment	Market comparison technique and cost technique: The valuation model considers market prices for similar items when they are available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.
Intangibles	Relief-from-royalty method and multi-period excess earnings method: The relief-from-royalty method considers the discounted estimated royalty payments that are expected to be avoided as a result of the patents being owned. This method was used to value the trade name. The multi-period excess earnings method considers the present value of net cash flows expected to be generated by the customer relationships, by excluding any cash flows related to contributory assets. This method was used to value the supplier relationships.
Inventories	Market comparison technique: The fair value is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

The trade receivables comprise gross contractual amounts due of £945,399, of which £45,415 has been provided for based on the historical loss rate at the date of acquisition.

D. Goodwill

Goodwill arising from the acquisition has been recognised as follows.

(All figures £)	
Consideration transferred	4,593,275
Fair value of identifiable assets	(2,501,517)
Goodwill	2,091,758

24. RELATED PARTY DISCLOSURES

As at 31 December 2020 the Directors of the Company control 3.42% of the voting shares of the Company.

The remuneration of the Directors of the Company is disclosed in the Directors' Remuneration Report and Note 6 above.

Share options held by Directors are detailed in the Directors' Remuneration Report.

Interests and related party transactions are disclosed below

As part of the acquisition of Albyn Medical S.L., certain shares were purchased from Monkey Business Consultants, S.L. of which Luis Collantes (Albyn CEO) is the Company Director. Monkey Business Consultants, S.L. continue to hold 10% of the issued share capital of Albyn Medical S.L. which are subject to put and call options to enable the Company to acquire 100%. 5% are to be purchased during 2021 and the remaining 5% are to be purchased in 2022. The group has assessed the nature of the Put and Call options and have concluded it meets the criteria under IFRS 10 and therefore recognise 100% ownership of the Group for accounting purposes. On the basis that the put and call options represent an obligation for the Group to acquire the remaining shares in 2021 and 2022, the Group has accounted for Albyn as 100% controlled. The deferred consideration amounts to £2.2m at the year end with a further £2.4m in contingent consideration payable on meeting the EBITDA and revenue targets set by the Group.

During the period that Albyn has been acquired, total payments in the ordinary course of business to Monkey Business Consultants, S.L. consisted of £11,190.

Total remuneration to Luis Collantes in the period was £253,588.

During the period the Group provided a £500,000 loan to I.Q. Endoscopes Limited which was convertible into equity shares in the entity upon additional investment by other investees. On 17 December additional investment was secured by I.Q. Endoscopes and the £500,000 was converted into 3,411 preference shares in the entity. As at 31 December 2020 the fair value of the shares was estimated to be £500,000. The Group controls 14.9% of the Company and is not deemed to have significant influence, therefore it has not been classified as an associate.

Following the acquisition of Albyn Medical SL and after establishing a direct presence in Asia, the distribution agreements with HOYA Group, PENTAX Medical and PENTAX Europe GmbH (collectively "PENTAX") were terminated during the year. The net cost of transactions in the period recorded in the accounts with PENTAX Medical including costs agreed on termination of the agreements was: £139,753 (31 December 2019: £39,839).

Christopher Hancock holds a Professorship with Bangor University and is the common-law spouse of Ling Chen. The fees paid in the period to Ling Chen totalled £23,490 (31 December 2019 £30,379) for consultation on the research and development projects throughout the year, with the balance payable at 31 December 2020 being nil.

Aggregate remuneration for the period for all key management totalled £2,702,904 (31 December 2019: £1,971,473).

(All figures £)	31 December 2020	31 December 2019
Salary and taxable benefits:		
Professor Christopher Hancock	**607,099**	567,244
Craig Gulliford	**796,877**	694,947
Richard Rees	**606,726**	553,282
David Woods	**245,281**	–
Charles Spicer	**86,000**	93,000
John Bradshaw	**56,000**	63,000
Ivonne Cantu	**51,333**	–
Luis Collantes	**253,588**	–
	2,702,904	1,971,473

25. ULTIMATE CONTROLLING PARTY

By virtue of the shareholding structure, there is no sole ultimate controlling party.

26. LEASES

The accounting policy for leases under IFRS 16 has been explained in Note 1.

Leases as lessee (IFRS 16)

The Group leases building facilities in the UK, France, Spain, Germany and Belgium. The leases typically run for a period of three to ten years, with an option to renew the lease after that date. Lease payments are renegotiated every five years to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices. For certain leases, the Group is restricted from entering into any sub-lease arrangements.

The building leases were entered into many years ago as combined leases of land and buildings. Previously, these leases were classified as operating leases under IAS 17.

The Group leases equipment under a number of leases, which were classified as finance leases under IAS 17.

The Group leases other equipment with contract terms of one to five years. These leases are short-term and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

26. LEASES continued

Information about leases for which the Group is a lessee is presented below.

i) Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as property, plant and equipment.

2020 (All figures £)	Land and buildings	Plant and machinery	Motor Vehicles	Total
Balance at 1 January	**308,421**	**8,063**	**–**	**316,484**
Acquired on business combination	**820,906**	**90,649**	**280,225**	**1,191,780**
Depreciation charge	**(259,410)**	**(16,260)**	**(45,081)**	**(320,751)**
Additions to right-of-use assets	**749,807**	**53,628**	**–**	**803,435**
Balance at 31 December	**1,619,724**	**136,080**	**235,144**	**1,990,948**

ii) Lease liabilities

Maturity analysis – contractual undiscounted cash flows (All figures £)	
Less than one year	**624,340**
One to five years	**1,235,153**
More than five years	**151,426**
Total undiscounted lease liabilities at 31 December	**2,010,919**
Lease liabilities included in the statement of financial position at 31 December	**2,010,919**
Current	**624,340**
Non-current	**1,386,579**

iii) Amounts recognised in profit or loss

(All figures £)	
Depreciation on right-of-use asset	**320,751**
Interest on lease liabilities	**36,996**
Expenses relating to short-term leases	**42,858**
Expenses relating to leases of low-value assets	**–**

iv) Extension options

Some property leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control. As at 31 December 2020 the only lease extension expected to be taken by the Group is for the site based in France where we consider it likely we will extend by another five years.

27. CAPITAL COMMITMENTS

The amounts contracted for but not provided for as at 31 December 2020 are £nil (31 December 2019: £nil).

28. SUBSEQUENT EVENTS

MicroBlate Flex received FDA regulatory clearance in January 2021 and is the fourth device within Creo's portfolio of flexible endoscopy devices for the gastrointestinal ("GI") market to receive FDA regulatory clearance, alongside CE marking already received across the range in 2020.

Post yearend we have signed agreements with a number of distributors to purchase and promote Creo products throughout various regions. The distributor agreements signed were as follows:

Distributor	Signing Date	Location
Welmore Co. Ltd.	27 January 2021	Taiwan
Hat-Med	04 March 2021	Vietnam
Suntek Medical	09 March 2021	South Korea
Medical Distributor Alliance	11 March 2021	Hong Kong
Avro Medical Sdn. Bhd.	19 April 2021	Malaysia
Hayleys Lifesciences (Pvt) Ltd	22 April 2021	Sri Lanka
Innovamedical	12 May 2021	Italy
Meditop Co Ltd	14 May 2021	Thailand

Parent Company statement of financial position

(All figures £)	Note	31 December 2020	31 December 2019
Assets			
Non-current assets			
Investments in subsidiaries	31	**25,265,410**	1,301,089
Investments		**500,000**	–
		25,765,410	1,301,089
Current assets			
Trade and other receivables	32	**1,482,801**	559,369
Cash and cash equivalents		**37,570,778**	75,875,830
		39,053,579	76,435,199
Non-current assets			
Trade and other receivables	32	**58,962,999**	40,000,614
		98,016,578	116,435,813
Total assets		**123,781,988**	117,736,902
Liabilities			
Current liabilities			
Trade and other payables	33	**4,485,957**	802,860
Total liabilities		**4,485,957**	802,860
Shareholder equity			
Called up share capital	21	**157,891**	150,378
Share premium		**115,263,193**	115,111,506
Share option reserve		**4,617,009**	3,888,864
Retained earnings		**(742,062)**	(2,216,707)
		119,296,031	116,934,041
Total equity and liabilities		**123,781,988**	117,736,902

These financial statements were approved by the Board of Directors on 3 June 2021 and were signed on its behalf by:

Richard Rees
Director

Company registered number: 10371794

Parent Company statement of changes in equity

(All figures £)	Note	Called up share capital	Retained earnings	Share premium	Share option reserve	Total equity
Balance at 31 December 2018		120,495	(2,329,638)	65,835,555	2,334,019	65,960,431
Total comprehensive income for the period						
Profit or loss		–	112,931	–	–	112,931
Other comprehensive income		–	–	–	–	–
Total comprehensive income		–	112,931	–	–	112,931
Transactions with owners, recorded directly in equity						
Issue of share capital		29,883	–	49,275,951	–	49,305,834
Equity-settled share-based payment transactions	8		–	–	1,554,845	1,554,845
Balance at 31 December 2019		150,378	(2,216,707)	115,111,506	3,888,864	116,934,041
Total comprehensive income for the period						
Profit or loss		**–**	**1,474,645**	**–**	**–**	**1,474,645**
Other comprehensive income		**–**	**–**	**–**	**–**	**–**
Total comprehensive income		**–**	**1,474,645**	**–**	**–**	**1,474,645**
Transactions with owners, recorded directly in equity						
Issue of share capital		**7,513**	**–**	**151,687**	**–**	**159,200**
Equity-settled share-based payment transactions	8	**–**	**–**	**–**	**728,145**	**728,145**
Balance at 31 December 2020		**157,891**	**(742,062)**	**115,263,193**	**4,617,019**	**119,296,031**

Parent Company note to the financial statements

29. PARENT COMPANY FINANCIAL STATEMENTS

As permitted by section 408(3) of the Companies Act 2006, a separate Statement of Comprehensive Income, dealing with the results of the Parent Company, has not been presented. The Parent Company profit for the period ended 31 December 2020 is £1,474,645 (31 December 2019: profit £112,931).

30. PARENT COMPANY ACCOUNTING POLICIES

To the extent that an accounting policy is relevant to both the Group and Company financial statements, refer to the Group financial statements for disclosure of the accounting policy.

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101"). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 have been applied. In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements the Parent Company has taken advantage of the following disclosure exemptions under FRS 101:

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel;
- Disclosures of transactions with a management entity that provides key management personnel services to the Company; and
- Certain disclosures required by IFRS 7 Financial Instrument Disclosures.

As the consolidated financial statements include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of Group-settled share-based payments;
- Certain disclosures required by IAS 36 Impairment of Assets in respect of the impairment of goodwill and indefinite life intangible assets; and
- Certain disclosures required by IFRS 3 Business Combinations in respect of business combinations undertaken by the Company.

The accounting policies set out above have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the Directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year, are discussed in Note 1 Critical accounting judgements and policy update.

Investments in subsidiaries are carried at cost less impairment.

31. INVESTMENTS

(All figures £)	Investment in subsidiary company
Cost:	
As at 31 December 2017	1,455
Capital contribution	642,445
As at 31 December 2018	643,900
Capital contribution	657,189
As at 31 December 2019	1,301,089
Capital contribution	324,382
Albyn acquisition	23,639,939
As at 31 December 2020	**25,265,410**

31. INVESTMENTS continued

The Company has the following investments in subsidiary companies:

Subsidiary	Domicile	Status	Registered Office address	Class of shares held	Ownership
Creo Medical Limited	UK	Trading	Creo House, Unit 2 Beaufort Park, Beaufort Park Way, Chepstow, Wales NP16 5UH	Ordinary	100%
Creo Medical, Inc.	US	Trading	100 Mill Plain Road, 3rd Floor, Danbury, CT 06811, USA	Ordinary	100%
Creo Medical Innovations Limited	UK	Trading	Creo House, Unit 2 Beaufort Park, Beaufort Park Way, Chepstow, Wales NP16 5UH	Ordinary	100%
Creo Medical Ireland Limited	Ireland	Dormant	70 Sir John Rogerson's Quay, Dublin 2, Ireland	Ordinary	100%
Creo Medical PTY	Australia	Dormant	Colin Biggers & Paisley Level 42 2 Park Street Sydney, NSW 2000	Ordinary	100%
Creo Medical PTE Ltd	Singapore	Dormant	20A Tanjong Pagar Road, Singapore (088443)	Ordinary	100%
Albyn Medical SL	Spain	Trading	Cordovilla (Nevarra), Poligno Industrial Cordovilla, calle D, Munero 1	Ordinary	90%*
Albyn Medical SAS	France	Trading	9 avenue Jean Prouve, 88100 Sain-des-Vosges	Ordinary	90%*
Albyn Medical Limited	UK	Trading	Kintail House, Beechwood Park, Inverness, Highland, IV2 3WB	Ordinary	90%*
Premier Endoscopy Limited	UK	Trading	Creo House, Unit 2 Beaufort Park, Beaufort Park Way, Chepstow, Wales NP16 5UH	Ordinary	90%*
Pauldrach Medical GmbH	Germany	Trading	Porchestrabe 22, 30827 Garbsen	Ordinary	90%*
Endo-Technik Wolfgang Griest GmbH	Germany	Trading	Vertrieb und Handelmit medizinischen Geraten, Langenfeld	Ordinary	90%*
Wiest Uropower Limited	UK	Trading	Creo House, Unit 2 Beaufort Park, Beaufort Park Way, Chepstow, Wales NP16 5UH	Ordinary	90%*
Boucart Medical SRL	Belgium	Trading	1070 Anderlecht, rue des Vétérinaires 42, Belgium	Ordinary	90%*

* Monkey Business Consulting SL retains 10% of the shares in Albyn as at 31 December 2020. The Group have an obligation to purchase the remaining shares in 2021 and 2022 respectively. For accounting purposes it is assumed the Group has 100% control see accounting policy in note 1 and note 24 related parties.

Creo Medical Innovations Limited (Company registration number: 11196260) is exempt from the requirements to file audited financial statements by virtue of section 479A of the companies act 2006. In adopting the exemption, Creo Medical PLC has provided a statutory guarantee to this subsidiary in accordance with section 479C of the companies Act 2006.

32. PARENT COMPANY TRADE AND OTHER RECEIVABLES

(All figures £)	31 December 2020	31 December 2019
Current:		
Other debtors	**1,047,406**	528,573
VAT	**434,342**	30,796
Prepayments	**1,053**	–
Total current	**1,482,801**	559,369
Non-current:		
Amount owed by subsidiary undertaking	**58,962,999**	40,000,614
Total non-current	**58,962,999**	40,000,614
Total trade and other receivables	**60,445,800**	40,559,983

Amounts owed by subsidiary undertakings are unsecured and repayable on demand. An expected credit loss provision was calculated for the other debtors and amounts owed by subsidiary balances; both were deemed immaterial and therefore not recognised. Other debtors includes an asset of £1,040,405 in relation to the element of contingent consideration, agreed as part of the Albyn deal, that will be released over the period that the services are provided.

33. PARENT COMPANY TRADE AND PAYABLES

(All figures £)	31 December 2020	31 December 2019
Current:		
Social security and other taxes	**–**	528,573
Other creditors	**4,485,957**	274,287
Total current	**4,485,957**	802,860
Total trade and other payables	**4,485,957**	802,860

Notes

ANYTHING IS POSSIBLE WITH THE RIGHT APPROACH

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