CREO MEDICAL

Annual Report & Accounts 2021

Anything is possible with the right approach

Creo Medical Group

Transforming energy Transforming surgery Transforming lives

CONTENTS

What's on the inside?

Strong foundations for growth now in place

Creo's CCO, David Woods, explains the continued commercialisation of the Creo brand.

Read more on pages 24 to 25

Clinical case studies

Learn more about the benefits of Speedboat Inject through a number of clinical case studies.

Read more on pages 28 to 29

Our achievements

COMMERCIAL HIGHLIGHTS

Continued growth:

- Over 1,000 Speedboat Inject procedures performed to date.
- Speedboat Inject procedure volumes doubled over previous year.
- Pipeline of clinicians to be trained under Clinical Education Programme has doubled.
- 25% increase in the Group's direct sales force since the start of 2021.
- New market penetration with multiple cases of Peroral Endoscopy Myotomy ("POEMs") procedures in the US using Speedboat Inject.
- Kamaptive licensing heads of terms ("HoTs") agreed with multiple partners with advanced discussions ongoing.
- Strengthened IP portfolio with 376 granted patents and 870 pending patents.
- Health economic study indicated that savings of up to £10k could be saved per Speedboat Inject procedure versus traditional surgical outcomes, with the NHS saving over £2m to date.
- Positive outcome on first pancreatic ablation using MicroBlate Fine.

OPERATIONAL HIGHLIGHTS

Continued progress:

- Strengthening of supply chain and R&D capabilities through the acquisition of Aber Electronics Limited ("Aber") in November 2021.
- Fully integrated Albyn Medical and Boucart Medical into the Creo family operating in-line with expectations under the Creo brand.
- Completion of the purchase of the freehold of Creo House, Chepstow, and the adjacent building for £4.25m to support the Company's planned and sustained growth.
- Opening of US office on the East Coast, in Danbury, Connecticut, to provide a base for US operations and enable in-person clinical and education programmes.
- Established APAC Hub based in Singapore.

FINANCIAL HIGHLIGHTS

Revenue
£25.2m
(2020: £9.4m)

Operating loss
£29.9m
(2020: £23.5m)

Underlying operating loss*
£19.0m
(2020: £18.0m)

R&D expenditure
£12.9m
(2020: £10.2m)

Net assets
£73.3m
(2020: £62.8m)

Cash raised from share issue in the year
£34.3m

Gross Margin
46.0%
(2020: 42.8%)

Cash and cash equivalents at the year end
£43.5m
(2020: £45.1m)

* Underlying operating loss is defined on page 48.

At a glance

Anything is possible with the right approach

Our mission is to improve patient outcomes by applying advanced energy to the emerging field of therapeutic endoscopy.

WHY

Creo Medical was founded in 2003 by Professor Chris Hancock, initially to target the treatment of cancers through the use of high frequency microwave energy.

One in two[1] people will likely be diagnosed with cancer in their lives. We will all likely know someone who will be or has been impacted in some way, either by cancers or diseases. These diseases can be treated using advanced energy, which can have a huge impact for those people, our friends and family. Chris was driven to apply this technology to make a difference to improve people's lives, and this is the foundation on which Creo is built.

1 in 2

will get diagnosed with cancer in their lifetime

1. https://www.nice.org.uk/news/blog/1-in-2-people-will-get-cancer

WHAT WE DO

Using our CROMA Advanced Energy Platform, powered by our Kamaptive Technology, we can utilise advanced bipolar radio frequency and high frequency microwave energy to power our range of unique endoscopic devices.

See pages 12 to 15

These core devices, combined with our advanced energy, can provide safer, more efficient and more cost-effective procedures meaning improved patient outcomes and improved lives.

See more about how our Advanced Energy works on our website: www.creomedical.com

Powered by kamaptive technology™

"Speedboat Inject and the entire Creo platform represents one of the most innovative contributions to endoscopic energy delivery in the past several decades..."

Dr Blair Jobe

Read more on page 25.

WHO BENEFITS

Patients

- Organ preservation rather than surgical intervention
- Improved patient outcomes
- Reduced risk
- Shorter procedure times
- Low recurrence risk (rate less than 1%[2])

Doctors

- Minimally invasive curative treatment
- Reduced risks associated with surgical procedures
- Greater potential of a curative resection

Hospitals

- Reduced procedure costs
- Reduced procedure time and fewer follow up appointments
- Reduced waiting times

"Speedboat Inject has been used successfully in both upper GI ("POEM") and lower GI procedures, delivering excellent clinical outcomes and opening up additional markets for our technology."

David Woods – CCO

Read more on page 24.

2. Saito, Y., Fukuzawa, M., Matsuda, T. et al. Clinical outcome of endoscopic submucosal dissection versus endoscopic mucosal resection of large colorectal tumors as determined by curative resection. Surg Endosc 24, 343–52 (2010). https://pubmed.ncbi.nlm.nih.gov/19517168/

Our global footprint

We are expanding our international footprint by growing our direct sales force and appointing carefully selected distributors.

WHERE WE OPERATE

290
People

12
Offices

9
Countries direct

26
Countries indirect

Over 4,600
Hospital, Doctor & Clinical Customers

5m+
Products Sold

1,000+
Speedboat Inject Procedures performed

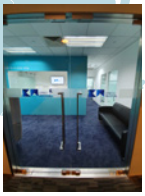
Figures correct as at 31 December 2021

UK, Chepstow
Despite the pandemic, Creo Medical has seen UK staff numbers grow significantly over the past year.

US, Danbury, Connecticut
Our US office has been a real success since opening mid-way through 2021, providing specialist functions to both the US market and the wider Creo Group.

UK
As well as its Chepstow HQ, Creo also has UK offices in Inverness, Bangor, Bath, Colchester and York.

Spain, France, Germany and Belgium
Our mainland European presence has been strengthened considerably by the acquisitions of Albyn Medical and Boucart Medical. Our offices in Spain, France, Germany and Belgium provide product warehouses and support our experienced local sales and distribution teams.



Asia-Pacific ("APAC"), Singapore
Singapore is the newest of our offices and is now up and running as a regional APAC hub as we look to strengthen our presence across the region.

Creo timeline

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

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

2017
First patient treated with Speedboat Inject

2019
First commercial order for Speedboat Inject

2020
Product suite receives regulatory clearance in EU & US

We are on track to meet our strategic objectives

Since our admission to the London Stock Exchange in 2016, we continue to make progress against our strategic objectives by bringing our technology to market and driving clinical adoption.

Q3 2020
Commercialisation agreement with NHS gives UK hospitals access to devices at preferential rates

Q3 2020
Acquisition of Albyn Medical

Q4 2020
Acquisition of Boucart Medical

Q4 2020
First clinical use of MicroBlate Fine and successful pancreatic tumour ablation

Q3 (Sep) 2021
£34.3m raised through share placing to accelerate commercial roll-out and fund product development and Kamaptive Energy programme

Q3 (July) 2021
Opened US Headquarters

Q2 (June) 2021
Acquisition of freehold site in Chepstow, UK for £4.25m

Q1 (Mar) 2021
Speedboat is used for POEM procedure

Q4 (Nov) 2021
Acquisition of Aber Electronics

Q4 (Dec) 2021
1,000th clinical procedures reached on Speedboat

Q1 (Jan) 2022
Kamaptive licensing and partnership HoTs signed for robotics and non-thermal Plasma

Q2 (April) 2022
Opened APAC hub based in Singapore

Building momentum

"Strong strategic and operational progress."

Craig Gullford
Chief Executive

Overview

I am immensely proud of our progress this year, despite difficult circumstances in all our regional markets as COVID-19 restrictions persisted. During the year we continued to make strong progress against our strategic objectives and build momentum through sustained commercial progress. Revenue from Creo's core product portfolio is growing and is in-line with management's cumulative revenue forecasts at the time of IPO in December 2016, despite the adverse conditions over the last two years.

We have seen significant growth in commercial orders and adoption of Speedboat Inject in the US and Europe. Pleasingly, we have made significant progress against our target to leverage our IP through our Kamaptive brand by agreeing Head of Terms (HoTs) with a number of carefully selected partners to provide access to our advanced energy in large and growing markets where the Group is not currently operating.

The opening of the Group's US headquarters during 2021 has helped to support Creo's commercial roll-out in the key US market. Post-period end, we also opened our regional hub in Singapore to support the commercial roll-out of Creo's products in the APAC region and this is expected to satisfy the backlog of demand, following numerous distributor agreements being signed throughout 2021. In addition, Creo completed the purchase of the freehold of Creo House, our head office in Chepstow, along with the adjacent building, to support the Group's planned and sustained growth.

These all represent important steps on our journey to commercialisation. Our successful Placing and Open Offer in September 2021 positions us well to deliver our strategic objectives and take the business to the next stage of its development: to strengthen our product portfolio and enhance our Kamaptive Advanced Energy Technology for licensing and partnerships.

Building momentum

We have taken great strides in delivering against our three strategic pillars: Build; Buy and Partner.

Build

Over the course of 2021, Creo's pipeline of doctors waiting to be trained through our Clinical Education Programme has more than doubled compared to 2020. This demand continues to build.

The number of global training centres across our direct markets increased threefold during 2021. Creo trained a significant number of leading clinicians in 2021 who are now product users, and the Group expects this number to rise in 2022.

Even at this early stage, clinicians have identified additional uses for Speedboat Inject in new procedures in upper gastrointestinal tract ("GI"), including the successful application in Peroral Endoscopic Myotomy ("POEM") procedures, opening up additional markets where our technology can be effective.

Once the final FDA clearance has been received for SpydrBlade Flex, all products in our four technology families – *Speedboat, MicroBlate, SlypSeal and SpydrBlade* – will be cleared for clinical use in both the US and Europe. Our focus this year has been on delivering our best-in-class Clinical Education Programme to provide training for leading clinicians in the use of our Speedboat technology and CROMA Advanced Energy Platform.

Opening of United States, East Coast Headquarters in Danbury, Connecticut.

The recently opened US office in Danbury, Connecticut includes a learning centre and fully equipped training laboratory where our US based team has been able to demonstrate products and provide lab-based training sessions. With on-going travel restrictions across the world and the postponement of elective procedures to, understandably, focus resources on caring for patients with COVID-19, we have used remote technology extensively for live events, which is yielding positive clinical results and building an active user community.

Our decision to purchase the freehold of Creo House in Chepstow, UK strengthens our infrastructure and provides additional manufacturing capacity for our full suite of devices. It also provides our team with a secure base to allow us to continue to build a world class MedTech company.

Buy

We have made excellent progress in integrating our Albyn Medical and Boucart Medical acquisitions into the Creo family. Both businesses now operate under the Creo Medical brand and the extensive European sales force is now equipped to sell Creo products across the European markets. This approach is already delivering benefits which will only accelerate as we introduce the full product range into other regions.

Towards the end of 2021, we announced the acquisition of Aber Electronics Limited, a UK based manufacturer and designer of power amplifiers and radio frequency products. As an existing supplier to Creo, this acquisition fits well with our 'Buy' strategy, adding manufacturing operations and specialist microwave and radio frequency capability to Creo's product development for Kamaptive as well as securing a key element of our supply chain.

Partner

Early in 2022 I was pleased to report that we had signed non-binding heads of terms with a number of third parties which relate to the Group's SpydrBlade, Cool Plasma and MicroBlate technologies. This is accelerating the development of the "powered by Kamaptive" brand, by enabling partners to leverage our core Kamaptive technology.

We believe that such partnerships have the potential to create shareholder value through granting third-party access to Creo's advanced energy technology in large and growing markets adjacent to those where the Group is already operating. This includes fields such as laparoscopic surgery, robotically assisted surgery, and non-thermal plasma sterilisation.

With the right partners, we believe that Creo's technology has the potential to fundamentally change the way that patients are cared for and to improve patient outcomes.

Our people and responsibilities

We are a fast growing organisation – now 290 strong. I have been impressed with the way our management teams have retained and reinforced our strong culture, in particular as we scale up our operations, manufacturing capability, international growth and integrate our acquisitions into the Creo family. We have enhanced our human resources function to support our growth and ensure we operate and think as a global organisation from the start.

Our people are clearly the critical element within this. Without their innovation, can-do spirit and commitment to the business, we would not have delivered the progress we have during the year and I would like to thank each and every one of them for making this possible.

Looking forward

Our mission remains the same: to improve patient outcomes by bringing advanced energy to therapeutic endoscopy.

We see our strong progress in the commercialisation of our innovative, minimally invasive, electrosurgical endoscopy devices accelerating as our user community continues to grow. We anticipate that high vaccination rates in both Europe and the US will lessen the impact of COVID-19 during 2022 and allow clinicians to focus on the huge backlog of elective cases, increasing activity in our key areas of clinical focus – core GI and soft tissue ablation. Whilst continued restrictions in Asia have slowed progress in the region, we have continued to recruit distributors in APAC and in those other markets where we don't have a direct presence. We are well placed to support these distributors as they start to satisfy a backlog in demand in their markets as they emerge from the COVID-19 pandemic.

The successful integration of Albyn Medical and Boucart Medical have transformed our commercial footprint in Europe and we will continue to evaluate other strategic acquisition opportunities to accelerate our reach in other regions including the USA. Along with the development of licensing partners, we will continue our transition to a fully integrated specialty medical device manufacturer with product origination, development and commercialisation capabilities.

2022 has already started positively, with strong performances seen from our core product portfolio. Throughout the rest of the year, we look forward to continuing to execute and expand our three-tiered organic strategy through the education and training of clinicians, the roll-out of our product portfolio in APAC and further commercial orders and adoption of Speedboat Inject in the US and Europe. With our strong cash position and clear strategy, Creo is well positioned to drive shareholder value in 2022.

Our business model

How we transform energy and lives

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 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

- **Our technology**
  →*Read more on pages 12 to 15*
- **Large and growing addressable markets**
  →*Read more on pages 16 to 19*
- **Highly skilled and experienced team**
  →*Read more on page 42*
- **Advanced energy expertise and extensive IP portfolio**
  →*Read more on pages 30 to 31*
- **Strong balance sheet with committed long-term investors, including key members of our team**
  →*Read more on pages 48 to 49*
- **Large number of global customers, integrated direct sales force and broad product portfolio**
  →*Read more on pages 2 to 5*

TO CREATE VALUE

- **Research and development**
  Developing leading-edge disruptive technology
- **New Products**
  Applying our technology to create new and innovative products
- **Distributing our products worldwide through our own global sales channels and through directly managed third-party distributors**
- **First class Clinical Education Training Programme**
- **Licensing our Kamaptive technology to carefully selected partners**
- **Building manufacturing and operational capacity for growth**

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, lower costs, reduced hospital stays for patients and less frequent follow up appointments
- **Investors**
  Attractive growth prospects
- **Employees**
  Dynamic, creative and entrepreneurial culture, with exciting opportunities for development

Our investment case

Unrivalled disruptive technology

INNOVATION AND TECHNOLOGY

- Creo invests heavily in R&D and have over 30 years of experience within the core team headed by Professor Chris Hancock, our founder and CTO.
- We develop our advanced energy capabilities to enable us to meet unmet clinical needs.
- Developing cutting edge products to combine with our advanced energy technology and our ability to partner with world leading device manufacturers will open this technology to a wider market.
- Our technology is protected by our extensive patent portfolio.

→Read more in our CTO Q&A on pages 30 to 31.

HEALTHCARE TRENDS GROWING OUR ACCESSIBLE MARKETS

- Our technology is at the forefront of a paradigm shift in healthcare, moving to minimally invasive technologies.
- We are at the beginning of this revolution where procedures move away from traditional surgical theatres to endoscopy suites with advantages in cost, time and patient outcomes.
- Current market size is significant with low saturation and the size of the markets will continue to grow and expand.
- A number macro and socio-economic factors are driving the demand for our technology and solutions.

→See our healthcare drivers on pages 16 to 17.

GLOBAL OPERATIONAL FOOTPRINT

- Commercial teams established.
- Undertaking acquisitions to enable growth and support our offering by providing a broad range of clinical solutions.
- Establishing worldwide operational capacity to enhance service to our customers.
- Our Clinical Education Programme is delivering outstanding training to physicians worldwide and will embed our products, our brand, and enhance skills to deliver better patient outcomes.
- Committed to ensuring that our global footprint not only improves lives but that of the wider community.

→See more on pages 38 to 44.

Our core technology

Speedboat Technology

Speedboat is our flagship advanced energy device product with over 1,000 procedures performed using the device.

5 functions 1 device

Speedboat device technology is another unique device technology with the only known bipolar surgical dissection blade in any form of surgery#. Additionally, Speedboat integrates microwave 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.

- Electrical Current – Advanced Bipolar falling within the MF spectrum (300hkz – 30 mhz)
- Electromagnetic – Microwave falls within the SHF spectrum (3-30 GHz)
- Protective Hull
- Integrated Injection Needle
- 1 to 1 rotation feel

SpydrBlade Technology

Surgical device combining Speedboat blade and precise microwave 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 microwave 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#.

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

Delivered by CROMA powered by kamaptive technology

SlypSeal Technology

Haemostasis device leveraging our unique 'non-stick' technology.

SlypSeal device technology is believed to be the only 'non-stick' electrosurgical haemostasis device technology in the market#. This key feature overcomes a 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 microwave coagulation opens up the possibility many different device structures in the future.

SlypSeal™ Flex

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

* 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.

MicroBlate Technology

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

Our MicroBlate tissue ablation technology brings microwave energy in the Super High Frequency band at 5.8GHz 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 using 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

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

MicroBlate™ Flex

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

Intelligent energy with safety at heart.

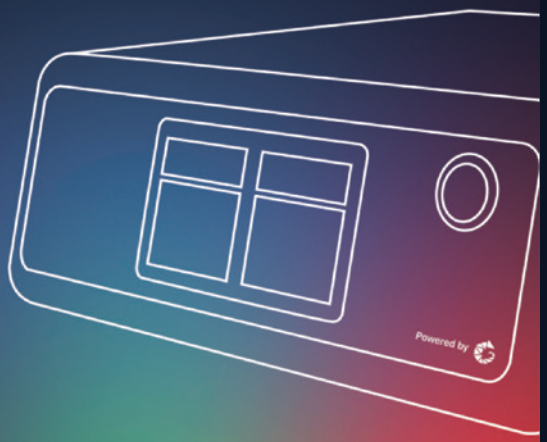
- Energy with Finesse and Intelligence
- Heightened Controlled Accuracy

What is Kamaptive Technology?

Kamaptive is Creo Medical's proprietary intelligent energy technology, found at the heart of all Kamaptive enabled advanced energy platforms and devices.

Kamaptive represents seamless and empowering access to next level, game-changing patient outcomes, through use of full spectrum energy in surgical, medical and therapeutic applications.

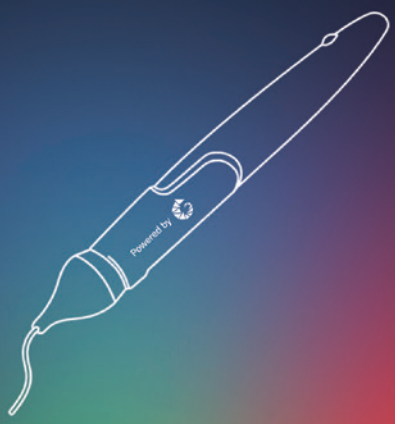
kamaptive technology™



CROMA

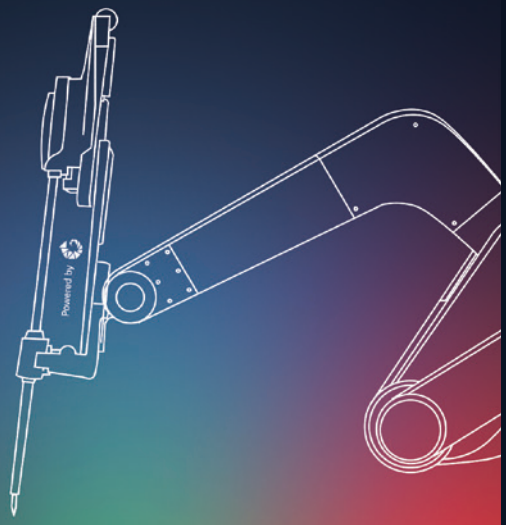
Kamaptive technology's architecture allows multiple Creo Development teams to design, test and build innovative devices independently whilst functioning with the CROMA Platform without complex software changes or menu options for users.

- Eliminate Collateral Damage
- Intuitive Adaptive Interface



Miniaturised

Creo Medical has been working to adapt Kamaptive Technology to miniaturised hand-held devices for heightened accuracy and control. The intuitive intelligence of the interface allows for the platform to be versatile and resilient in scale and function.



New Possibilities

Kamaptive's full spectrum adaptive technology allows for partnership opportunities in new and innovative fields from robotics to laparoscopy. Kamaptive Technology intuitively adapts to the specific tool in use, self provisioning and intelligently enhancing the settings of the CROMA Platform for the purpose of the device being used.

Healthcare market drivers

Addressing and delivering unmet needs in large, growing markets while improving patient outcomes and reducing healthcare costs

TECHNOLOGY

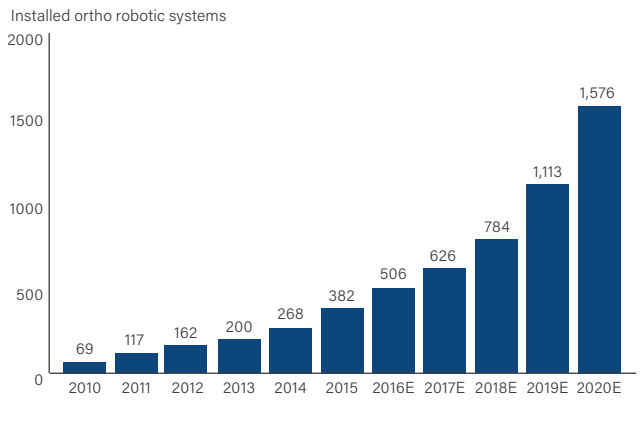
- Technology is getting smaller and smarter, opening more markets for less invasive procedures, allowing us to target even more difficult to reach parts of the body where current surgical intervention is limited.
- Technology allows people to collaborate and even operate remotely across the other side of the world.
- As robotic assisted surgery develops there is a huge opportunity to utilise our advanced energy capabilities.

HEALTH ECONOMICS

- Rising obesity, sedentary lifestyle, poor diet and aging populations are driving incidence rates.
- Increase in screening programmes is driving earlier detection, meaning a shift towards earlier therapeutic minimally invasive intervention.
- Continued focus on device hygiene and move towards single use devices.
- Clinical evidence on both safety and efficacy is key to de-risking and facilitating adoption of new technology.
- Reimbursement of key procedures will drive adoption (SSD, POEM, ablations).

Robotic surgery

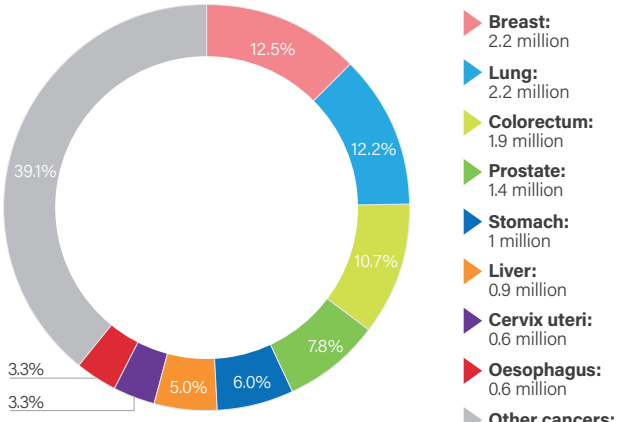
Growth of installed surgical robots worldwide



Source: Goldman Sachs Investment Research.

Reducing mortality rates of cancers[1]

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



Approximately: 17.8 million cases

1. CA CANCER J CLIN 2021;71:209 -249: Global Cancer Statistics 2020: GLOBOCAN Estimates of Incidence and Mortality Worldwide for 36 Cancers in 185 Countries.

MACRO ECONOMICS

- Growing waiting lists caused by COVID-19 have placed significant resource demands on healthcare systems requiring more cost and time effective procedures.
- Governments looking to fund and utilise cutting edge technology as a solution.
- There is a move towards single use devices as they become more cost-effective and reduce the risk of cross contamination.

Creo team using Speedboat Inject to remove a 40cm lesion

Data study

Cost effectiveness analysis of Speedboat Submucosal Dissection

Data gathered under a joint study with the NHS validates potential healthcare benefits and clinical opportunity for Speedboat technology.

KEY FINDINGS:

Up to £10,000 saving
per procedure, double that of originally thought. The potential NHS savings could amount to c£180m per annum.

Faster diagnosis
as tumour/lesion can be removed during initial investigation rather than during surgery.

Improved patient outcome
as shorter procedure and recovery times allow patients to leave hospital on same day.

Reduced risk
as patients would ordinarily have up to 30cm of bowel removed under traditional surgery with associated risk of complication.

Life changing
as patients can typically require a temporary or permanent ostomy with stoma bag following traditional surgery.

The market opportunities grow as Creo continues to innovate

ENDOSCOPIC RESECTION & GI DISORDERS

Procedures in this market include removal of benign precancerous and cancerous tissue in lower and upper GI, achlasia, diverticulum, SSD, EMR, Polypectomy and POEMS. Allowing procedures to be performed in outpatient clinics thereby reducing complications.

MARKET OVERVIEW

- ~28m Colonoscopy procedures are performed in the USA and Europe each year[1,2].
- Resulting in ~5.5m procedures to remove lesions[1,2].
- Up to 15% of these are complex lesions[3] and would benefit from an SSD using the Speedboat device, i.e. over 800k procedures.
- Achalasia, a swallowing disorder in the oesophagus where minimally invasive treatment is limited and new, is estimated to have 400k procedures per annum[4].

SOFT TISSUE ABLATION

Creo's MicroBlate technology could provide an alternative way to ablate soft tissue tumours and treat patients for whom there may be limited options for surgical therapy. Two potential clinical uses are being developed within Lung and Hepatobiliary.

MARKET OVERVIEW

Lung

- Lung cancer is the leading cause of cancer deaths (~1.8m) globally with over 2.2m new cases each year[5].
- Only 34% of lung cancers are diagnosed at early stages (I-II) due to poor screening techniques, resulting in high mortality[6].
- Surgery, or percutaneous approaches have been the primary therapeutic treatments for early-stage cancer although invasive with high risk of complications.
- Over 748k procedures are potential for non-surgical treatment of early-stage (I-II) disease.
- No flexible endoscopic therapy is currently available.

Hepatobiliary

- Pancreatic and liver cancers account for over 1.4m cancers globally each year[7].
- High mortality rate due to late diagnosis: liver at 80% and pancreas at 90% at five years[8].
- Most cancers are inoperable due to late-stage diagnosis (Pancreas <20% operable)[8].
- Over 500,000 potential procedures targeted for MicroBlate Fine to tackle inoperable cancers and small tumours.
- MicroBlate Fine with Endoscopic Ultrasound enables a less invasive, endoscopic alternative to treat hepatobiliary tumours and to treat patients where surgery is not an option.

1. US Market Report Suite for GI Endoscopic Devices 2019, iData Research, iData_USGI19_MS, February 2019.
2. Europe Market Report Suite for GI Endoscopic Devices 2019, IData Research, iData_EUGI10_MS, April 2019.
3. The "Difficult" Colorectal Polyps and Adenomas: Practical Aspects, Herszenyi, Dig Dis 2019:37:394-399.
4. Bartel MJ, Brahmbhatt BS, Wallace MB: Management of colorectal T1 carcinoma treated by endoscopic resection from the Western perspective. Dig Endosc 2016;28: 330–341. 41 Benedix F, Köck.
5. WHO, IARC Cancer Today Online Analysis 2020.
6. Morgensztern D, Ng SH, Gao F, Govindan R. Trends in stage distribution for patients with non-small cell lung cancer: a National Cancer Database survey. J Thorac Oncol. 2010 Jan.
7. WHO, IARC Cancer Today Online Analysis 2020.
8. American Cancer Society, Cancer Facts and Figures 2020.
9. BMJ 2019:364:1536.

HAEMOSTASIS

GI bleeds including bleeding in the oesophagus, stomach or duodenum often requiring endoscopic guided intervention.

MARKET OVERVIEW

- Gastrointestinal bleeding is a common medical emergency with upper GI bleeds having a mortality rate from 2%-10%[9].
- Upper GI bleeds account for approximately 500,000 admissions yearly in the US[10].
- Currently, gastrointestinal bleeds are managed through thermal energy, mechanical ligation or a topical spray used to coagulate the bleed.
- A total of $2.5bn is spent annually in US on Upper GI bleeds[10].
- Risk of bleeding occurs in 10-20% of patients, resulting in a second endoscopic treatment[11].
- Currently major markets in the Americas, Europe and Asia spend in excess of $560m on haemostasis devices to manage gastrointestinal bleeding[12].

MARKET OPPORTUNITIES:

- To disrupt the surgical endoscopy market using our advanced energy technology.
- Enhancing our technology to facilitate more procedures and reach into other clinical areas, for example leveraging Speedboat benefits in POEM procedures and using MicroBlate Fine for palliative cancer care and haemostastis of gastric varices (further studies required).
- Potential to move minimally invasive therapy closer to diagnosis, improving waiting lists and patient outcomes.
- Accelerated treatment pathways will drive adoption and use.
- Developing our technology for robotics and laparoscopic markets through Kamaptive partnerships.

CLINICAL CHALLENGES:

- Rising obesity, sedentary lifestyle, poor diet and ageing populations are key drivers.
- With additional screening treating rising cases with solutions that vary in effectiveness and risk can be costly.
- Late diagnosis giving rise to high mortality and limited surgical options.
- Surgical alternatives come at higher cost, risk of complications, and longer patient recovery.

Disrupt using our core technology

ENDOSCOPY

$30bn Energy sub-market of $5bn of which $3-4bn is addressable[13,14]

CAGR **6.3%[15]**

ROBOTIC SURGERY

Robotic surgery ~$4.8bn in 2020 > $9.65bn in 2025[16]

CAGR **17%[16]**

Develop future opportunities through innovation of our Kamaptive technology

LAPAROSCOPIC

$10bn in 2019 with energy sub market of $3bn > $6bn in 2027[17]

CAGR **6.5%[17]**

10. Gleeson F, Clarke E, Lennon J, et al. Outcome of accident and emergency room triaged patients with low risk non-variceal upper gastrointestinal haemorrhage. Ir Med J 2006;99:114–17.
11. Diagnosis and Management of Upper Gastrointestinal Bleeding Am Fam Physician. 2012 Mar 1;85(5):469-476.
12. I-data Research 2019-USA, Europe and China Markets.
13. Boston Scientific investor presentation, 2015.
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15. Markets and Markets, Dec-15, MD 2212; Stratistics MRC, May-15, MRS 25447; BCC research, Mar-16, HLC093C; TechNavio, Jun-15, 3280756; TMR, Jul-14, 2014 07-02; IQ4I, 2014, 8664243; Occam, Jun-16, HME-2610516.
16. Robotic Surgery Devices Global Market Report 2021: COVID 19 Growth And Change To 2030, The Business Research Company.
17. Coherent Market Insights, Laparoscoic Devices Market Analysis – Jan 2020.

Our growing technology portfolio

OUR STRATEGY IN ACTION

Build

Developing our technology offering and products; ensuring we execute on our commercial and operational goals to enable our technology to be adopted globally.

Progress in 2021

- Progress on next generation CROMA platform
- Growing sales team 25%
- Clinical Education Programmes converting trainees to users
- Opening of US and APAC offices
- 129 new patents granted (376 granted patent and 870 pending applications in total)
- Purchase of land and buildings for UK HQ

Focus for 2022

- Optimisation and launch of new products (Speedboat 2.7, MicroBlate Fine, MicroBlate Flex and SpydrBlade)
- Further development of Kamaptive and CROMA
- Verification of new products through extensive clinical data
- Grow user pipeline – driving sales funnel

- **Promote our unique suite of flexible, minimally invasive endoscopy devices**
  →*Read more on page 22*
- **To perform a number of different procedures which would usually require invasive surgery**
  →*Read more on page 22*

Buy

To accelerate our mission to reach as many patients as possible, we aim to strengthen our clinical reach via our Buy Strategy.

Progress in 2021

- Acquisition of Aber Electronics
- Successful integration of Albyn Medical and Boucart Medical
- Albyn and Boucart now operating under the Creo brand

Focus for 2022

- Continue to evaluate strategic acquisitions that extend commercial footprint
- Identify targets similar to Albyn and Boucart which can provide established commercial and distribution routes in the US and APAC

- **Providing complementary products to provide greater value**
  →*Read more on pages 32 to 33*

Partner

We recognise that we may not always have the necessary resources to utilise all our IP and to reach all stakeholders that can benefit from this technology.

Progress in 2021

- HoTs with a number of strategic partners for the licence of Kamaptive Technology for use in robotic assisted surgery and non-thermal sterilisation
- Additional 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

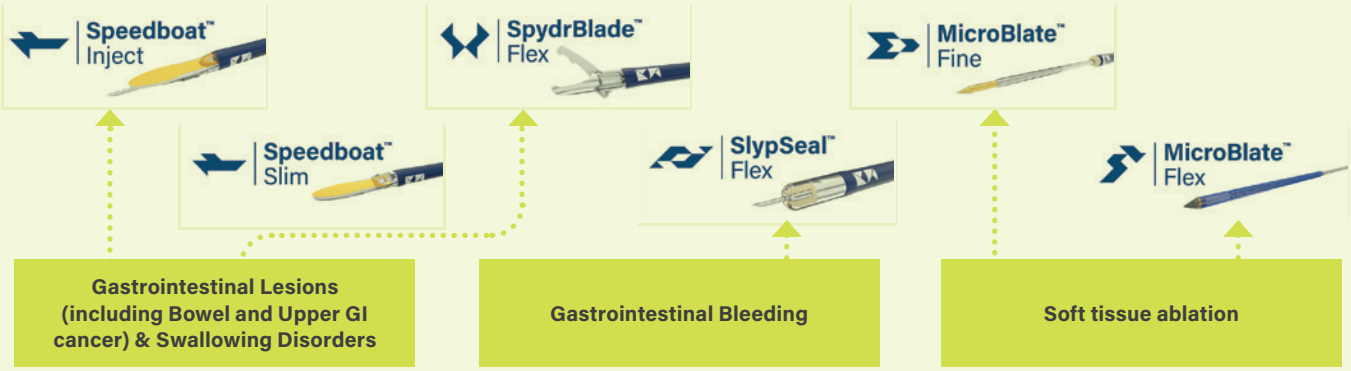
Focus for 2022

- Deliver immediate product iterations for current partnerships
- Build upon our Kamaptive innovation and intelligence prototyping
- Develop consumable product range with our advanced energy capabilities

- **Utilise our patented advanced energy technology powered by Kamaptive**
  →*Read more on pages 34 to 35*

OUR TECHNOLOGY PORTFOLIO

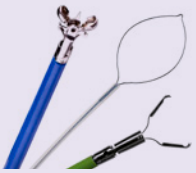
Delivered by CROMA powered by Kamaptive technology



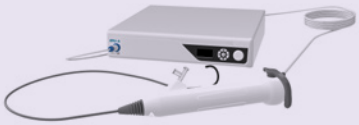
Gastrointestinal Lesions (including Bowel and Upper GI cancer) & Swallowing Disorders

Gastrointestinal Bleeding

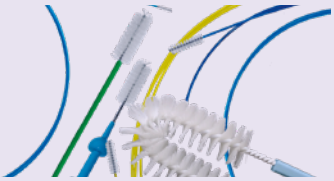
Soft tissue ablation



Gastroenterology products

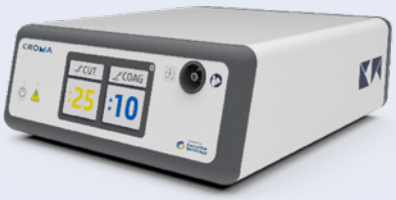


Urology/Gynaecological products



Hygiene & Cross-contamination products

CROMA



Powered by kamaptive technology™

Building and transforming-

Our build strategy is essentially two-fold; developing our technology and products and ensuring we execute on our commercial and operational goals to enable our technology to be adopted globally.

We have taken great strides forward in our build strategy in 2021. Our Speedboat Inject device has now been used in more than 1,000 procedures and the clinical results have proven our technology (see our clinical case studies on pages 28 to 29). We look to extend this across our product range through our growing development teams.

The integration of our 2020 acquisitions has transformed our business, along with our organic expansion, creating a truly global operation. We have developed our clinical education team across all regions to now offer a global training programme, see pages 26 to 27, with support from our highly skilled clinical sales teams. We are continually learning and beginning to deliver increased adoption by moving physicians through the learning curve to become proficient users of our technology (see CTO report on pages 30 to 31).

Patient Outcomes
In addition to the growing number of excellent outcomes from Speedboat Inject, MicroBlate Fine was successfully used to treat pancreatic cancer using minimally invasive, EUS guided techniques in December 2020. During 2021 the Company was delighted to report that, following the procedure using MicroBlate™ Fine, the patient remains well and is enjoying life. Subsequent scans of the patient's pancreas continue to confirm the treatment's durability.

The procedure was led by Dr. Carlos Robles-Medranda at IECED. IECED is the most advanced Gastroenterology and Digestive Endoscopy centre in Latin America and is endorsed by the World Endoscopy Organization ("WEO") which leads the promotion of endoscopy throughout the world. When asked about his experience with MicroBlate™ Fine, Dr Robles-Medranda stated: "I am excited about the potential of this technology for use in EUS guided therapy; the microwave energy allows me to precisely target and ablate difficult lesions. I believe this technology will have a positive impact on my patients, and I will continue to offer this treatment option." Find the video GIE case study at https://www.videogie.org/article/S2468-4481(21)00202-2/fulltext.

Commercial progress
The final quarter of 2021 saw a significant uplift in commercial orders and adoption of Speedboat Inject in the US (upper and lower GI) and Europe (lower GI). Speedboat Inject offers substantial cost savings in lower GI procedures versus a traditional surgical procedure as well as improved clinical outcomes.

Despite the pandemic, Speedboat Submucosal Dissection ("SSD") procedure volumes doubled during 2021 versus 2020 when procedures utilising Creo products were delayed as a result of routine diagnostics and elective procedures being postponed due to COVID-19.

Clinical training
Over the course of 2021, Creo's pipeline of doctors waiting to be trained as part of the Group's Clinical Education Programme has more than doubled from the number trained in 2020. Demand for training on Creo's products continues to build and the number of global training centres across our direct markets increased threefold over the course of 2021.

Creo trained a significant number of leading clinicians in 2021, who are now product users, and the Company expects this number to rise in 2022. In order to service this increased demand, Creo has increased its direct sales force by 25% since the beginning of 2021. See pages 26 to 27 for more about our Clinical Education Programme.

Global capacity
The opening of the Company's US headquarters during 2021, with a learning centre and fully equipped training laboratory, has helped to support Creo's commercial roll-out in the key US market. Creo has also secured office space in Singapore for its APAC hub which opened during Q2 2022. This will support the commercial roll-out of Creo's products in APAC during 2022 and is expected to satisfy the backlog of demand, following the signing of numerous distributor agreements throughout 2021. In addition, Creo completed the purchase of the freehold of Creo House, Chepstow, and the adjacent building, to support the Company's planned and sustained growth.

Healthcare economics
To further validate our technology, clinical data confirms that the health economic benefits of using the Company's CROMA Advanced Energy Platform with Speedboat Inject, provides substantially more cost-savings for the NHS than originally thought. (See Healthcare drivers at pages 16 to 17).

Case studies

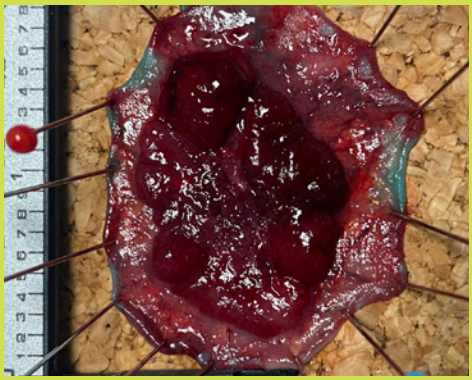
14.5cm lesion removed via Speedboat Submucosal Dissection

"It seemed like a very obvious solution...like a definite way forward. And afterwards, seeing how it all went – I would not have recovered, I'm sure, from abdominal surgery at the speed I did from your operation. So I would recommend your surgery 100%. Not a single hesitation.

"Me and my family were so grateful for that opportunity. The difference, you know, had I had to go the other route, if you hadn't been around to do this? Well, I could probably still be recovering from all the surgeries that would have carried on consequently.

"I'm a Jehovah's Witness. First of all, we believe very strongly in the sanctity of life, so we will do anything and everything to try and keep ourselves well. But we do also have a strong conviction, not to accept blood, or any of the four main components. So I was concerned about blood loss and one of the reasons we opted for the endoscopic route was to avoid that double hit of two lots of surgeries, the stoma bag etc. That was very important to us."

Patient C



10cm lesion removed via Speedboat Submucosal Dissection

"I just feel that I'm back to normal, completely. I'm not quite sure where I would have been if we'd not done this. The stoma bag route would have left, I think, an altered life after – whereas with this I'm back to normal. I really am.

"(The effect of the surgery) was negligible, manageable to the extent to it being a non-event. I still couldn't square how much work was done for how little I felt that work had been done.

"10 days ago I had my 66th birthday. I'm happy as anything. I'm getting out doing my stuff, exactly as I used to. And I don't have any problems like that. So, to me, I would recommend it. Absolutely. 100%."

Patient R

Chief Commercial Officer review

Sound foundations for growth now in place

David Woods
Chief Commercial Officer

Highlights

Our journey to commercialisation continued at pace during the year as we focused on getting our new technology to market. The impact of COVID-19 meant that healthcare systems across the world were under pressure dealing with the pandemic with elective procedures delayed, but never the less we made good progress in building our user communities and rolling out our Clinical Education Programme in the UK, US and Europe in particular. We opened our US headquarters and ended the period with 12 training sites in major academic centres in our key regions, putting us in a strong position for the year ahead.

Commercial orders for Speedboat Inject are growing in line with expectations, validated by independent health economics data showing potential savings of over £10,000 versus traditional surgical outcomes. During the year Speedboat Inject has been used successfully in both upper GI ("POEM") and lower GI procedures, delivering excellent clinical outcomes and opening up additional markets for our technology.

Commercial progress

The year saw high levels of activity in the UK, US and Europe as we strengthened our teams, set up the training centres and enhanced our education of leading clinicians. These centres allow both product demonstrations and immersive training sessions providing a mixture of classroom-based didactic learning and hands-on lab sessions. As COVID-19 restrictions diminish, we expect to accelerate the training of clinicians. Our US headquarters in Danbury, Connecticut, opened in June 2021 and is already delivering a positive learning experience for key clinicians.

We are replicating this model in the Asia Pacific region, expanding our direct presence and opened an office in Singapore in April 2022. This region was locked down for most of the period, with travel restrictions in place but the in-country team adjusted their approach, engaging extensively with clinicians using remote technology and continuing to build their user community. We continued signing up distributors, primarily in the Asia Pacific region but now extending our reach into Latin America with partners in Chile, Ecuador and Venezuela.

The integration of the Albyn and Boucart sales teams is now complete, with these teams trained to sell all Creo medical devices into their extensive customer base and now operating under the Creo Medical brand. Product management teams are fully aligned as they build the appropriate go-to-market strategies for each region and assess the opportunities to take the Albyn product portfolio into the US. A new CRM system was installed during the year to aid collaboration across the teams internationally and ensure opportunities are captured and monitored as they progress through the sales cycle.

Many of our launch events were virtual this year with live endoscopy events in the UK, US, India and Spain demonstrating procedures with key opinion leaders ("KOLs") proving very successful and Creo is well recognised in our target communities. Our key message of better clinical outcomes, better economic outcomes and better patient and provider satisfaction is increasingly supported by clinical case studies and health economics data. A paper titled 'Cost-effectiveness analysis of Speedboat submucosal dissection in the management of large non-pedunculated colorectal polyps' demonstrated that the use of Speedboat Inject is highly likely to be a cost-effective strategy for treating both benign and malignant large non-pedunculated colorectal polyps (colonic lesions found inside the large intestine) and rectum and may lead to cost savings for healthcare providers, see page 17.

80
Direct sales force

12
training centres

David Woods CCO and Chris Hancock CTO opening Singapore office

Focus for 2022

Building on the sound foundations put in place in 2021, we intend to push forward with plans to increase the number of training centres and grow our clinical presence. This enables us to extend our Clinical Education Programme to include new devices and expand the portfolio by adding relevant Albyn products and introducing them to new markets.

Kamaptive's licencing programme delivers a precise, safer energy that enables surgery on other parts of the body and through other technologies, such as robotics, which extends our reach and user community.

"Speedboat Inject and the entire Creo platform represents one of the most innovative contributions to endoscopic energy delivery in the past several decades. The operator is now liberated beyond the confines of present techniques and apply surgical oncologic principles (en bloc vs. piece meal resection) to both staging and definitive endoscopic therapies within the GI tract. The ease of use and intuitive nature of the Speedboat device and CROMA Platform make all approaches to endoscopic submucosal dissection much more accessible to the entire field of surgical endoscopy. It is my hope that the scope of this technology will be broadened to include intra-abdominal and thoracic procedures."

Dr Blair Jobe

Clinical education to deliver clinical adoption

We have made significant progress in encouraging clinical adoption of our flagship Speedboat Inject device through our world leading Clinical Education Programme.

We continued the roll-out of our Clinical Education Training Programme globally during 2021, increasing the number of trainers and champions, along with further growing our mentoring support for trainees. Furthermore, we are developing a user community to support clinicians through the training process, improving the user experience and enabling new skills to be taken back to clinics and healthcare centres to benefit their patients.

The number of procedures performed using Speedboat Inject passed 1,000 this year.

Not only are these procedures saving time and money for healthcare providers, but they are improving peoples' lives and helping us achieve our main goal of improving patient outcomes as the case studies below demonstrate.

- **Increase in clinicians trained**
- **New products being rolled out**
- **New product areas being developed – Robotics etc.**

"Thanks to Creo's Speedboat inject we were able to remove a non-cancerous tumor which could only otherwise have been removed through surgery which would have had life changing impacts."

Feedback from trainees on the programme:

"There are very few courses that offer this level of hands on training and the kind of expertise where you get to meet people who were directly involved in development of the technology."

Dr Vanja Giljaca
Heartlands Hospital, Birmingham, UK
Consultant Gastroenterologist.

"My experience of this professional education programme is really excellent. It's nothing like I've ever experienced before and I have been on several other ESD courses."

Nisha Patel
Imperial Hospital, London, UK
Consultant Gastroenterologist.

"I do believe that the procedures can be done faster and can be done in a safer way and that's why I actually found interest in this technology."

Dr Sergei Vosko
Israel

"The training far exceeded my expectations, its been brilliant having two full days of 1-on-1 teaching experience…the advantage of having a trainer that's really skilled giving you his tips and tricks and sharing them willingly has been absolutely fantastic; it's really something I'm going to employ back home."

Dr Galya Chinnery
Surgical Gastroenterology Unit, University of Cape Town, South Africa.

@CreoEndoscopy
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twitter.com/CreoEndoscopy

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

Social Media Interaction

Kamaptive Community – online mentoring programme

Team in Belgium performing the first ever SSD procedure in the country.

Team after Speedboat POEMs procedure in the US.

Team completing 4 cases using Speedboat Inject in a single day.

Hands on training clinic at Kings Live event in London during the year.

MicroBlate Fine's 1st patient treatment extended patient's life expectancy.

Team after an en-bloc resection using Speedboat in early 2022.

Clinical case studies

Speedboat Submucosal Dissection ("SSD")

Speedboat™ Inject

Using advanced energy on a mid-rectal lateral spreading tumour with focal depression

Patient History
A 70-year-old man with rectal bleeding and positive FIT was referred for colonoscopy, which picked up a 30mm mid-rectal lateral spreading tumour with focal depression. The case was discussed at the local multidisciplinary meeting where it was felt that the lesion may harbour high grade dysplasia and en-bloc resection should be attempted.

Procedure
Speedboat Submucosal Dissection ("SSD") of the lesion was performed. Microwave coagulation was also applied to a few prominent vessels on the defect, following resection. The patient was discharged 1 hour later. No delayed complications were noted. (See fig. 1).

Outcome
En Bloc resection of the lesion was achieved. Histology spoke of a high-grade tubular adenoma (fig. 2).

No intraprocedural/delayed complications were noted. This was a day-case procedure (same day discharge).

Conclusion
This case highlights that SSD is an efficient technique for safe en-bloc resection of advanced polyps of the colorectum. The alternatives would have led to histopathological confusion with regards to completeness of resection, and TEMS/TAMIS (procedures requiring general anaesthetic and, often, in-hospital stay).

Dr Iosif Beintaris
Consultant Gastroenterologist, North Tees and Hartlepool NHS Foundation Trust, UK

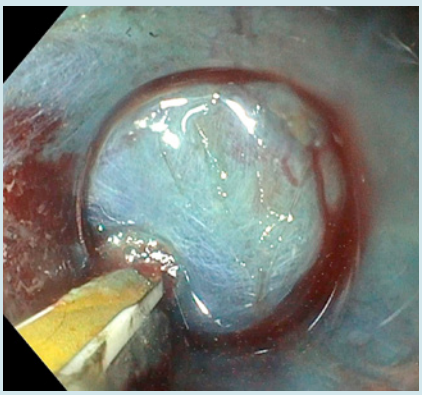


Figure 1

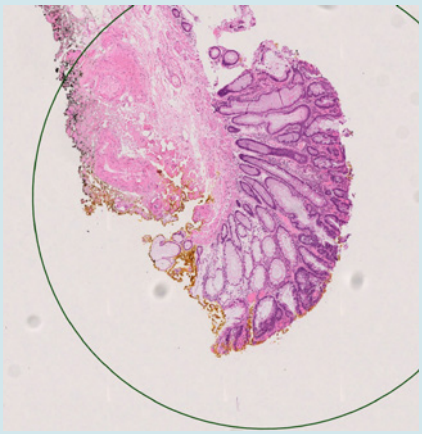


Figure 2

SSD tunnelling case study

SSD tunnelling technique was used on a patient with a sessile lesion up to 10cm that had raised suspicion of high grade dysplasia or cancer. Because of the safety afforded by the insulated protective hull we were able to work closer to the muscle bed, allowing for deep dissection. Active bleeding was controlled with the device, without need for instrument exchange. Histology showed a near invasive cancer. The procedure was curative and en-bloc treatment completed without the need for subsequent check site procedures demonstrating a preferential pathway that precludes need for surgical intervention.

See our website for more details:
www.creomedical.com/case-studies/

Using advanced energy on a large G-type LST of lower rectum involving the anal canal

Patient History
A 63-year-old female patient with history of hypothyroidism referred for rectal bleeding, weight loss and a positive FIT test (65 µg/g). In colonoscopy (fig. 1 & 2), an 80mm G-type LST with 2 dominant nodules was found in lower rectum and partly involving the dentate line/anal canal.

Procedure
The procedure was performed under general anaesthesia using the Speedboat Inject device and the CROMA Advanced Energy generator (advanced bipolar RF, 5.8 GHz microwave). A tunnelling dissection was performed. The speedboat Inject device provided excellent bleeding control with isolation and MW pre-coagulation of large vessels prior to resecting. Resection was precise and delicate with continuous alignment of the blade to the submucosal/muscular plane.

Outcome
Given the large size of the polyp and length of the procedure, the patient was admitted overnight for observation, antibiotics and pain control. The postoperative course was uneventful and the patient was discharged the following day.

The histological (fig. 3) assessment revealed a tubulovillous adenoma with low grade dysplasia completely excised from peripheral and deep margins .

Conclusion
- This case highlights the safety and efficacy of the Speedboat Inject device and the CROMA Advanced Energy platform in removing endoscopically and in en bloc fashion a large polyp located in a challenging position such as the lower rectum and the anal canal.
- Dissection with the Speedboat Inject device was gentle and predictable making the whole procedure safe, reasonably fast and satisfying.
- Only alternative to the procedure would be a surgical transanal excision but high risk of complications and suboptimal resection.
- The clearance provided by the device is reassuring making risk of recurrence unlikely and absence of charring on the margins renders histological assessment more accurate.
- The impact on the patient and hospital has been minimal compared to an equivalent surgical alternative. The patient was treated as a day case and required no admission or other investigations and treatment. This offers a substantial advantage over alternative methods, including a financial element. Without SSD service and associated skills the case would have been treated with suboptimal modalities or referred to another referral centre/hospital with potentially serious impact on logistics, waiting times, patient experience, continuity of care and clinical risk management.

Dr Sergio Coda Consultant Specialist GI Endoscopist, Director of Bowel Cancer Screening Programme at BHR University Hospitals NHS Trust, UK

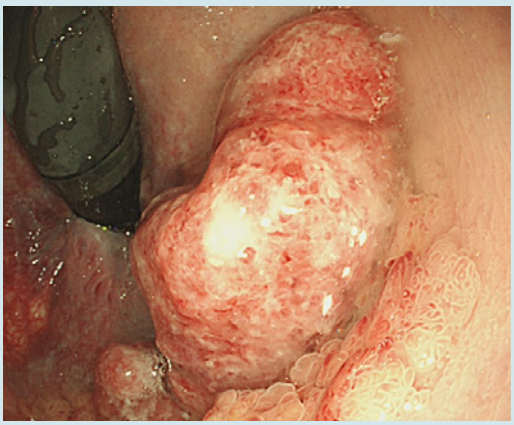


Figure 1

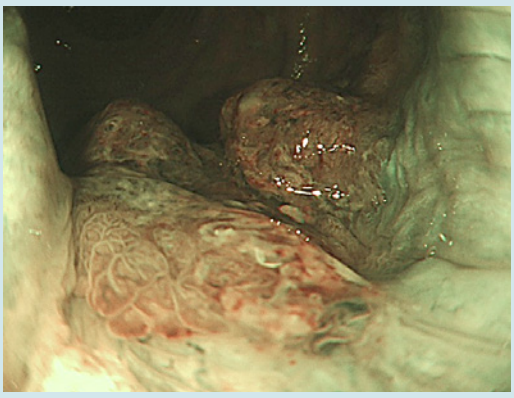


Figure 2

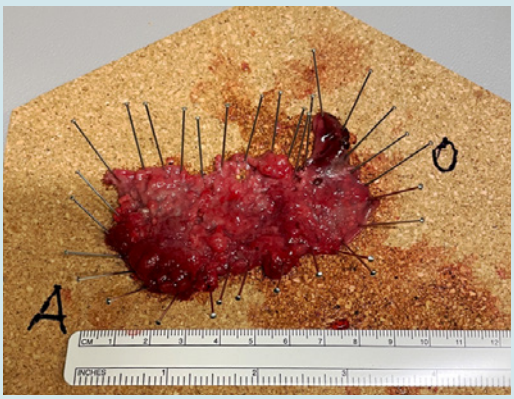


Figure 3

Chief Technology Officer's review

Q&A

Chris Hancock
Chief Technology Officer

Q: What were your key highlights from 2021?

A: We made significant progress during the year in gaining clinical validation for our products, both through the roll-out of the Clinical Education Programme and increased use in patient procedures. A particular highlight for me was watching Speedboat Inject being used in a Peroral Endoscopic Myotomy ("POEM") procedure in the US, which enabled a 13 year-old boy to swallow again.

Q: How have the products and your technology expanded?

A: We have continued to strengthen our IP portfolio, with 12 new GB patent applications filed to protect key inventions developed by the Research and Development team during the last 12 months that relate to enhancements to our existing products, new flexible instruments and extensions to the functionality of the CROMA platform.

Our focus this year has been on development of our existing products with the majority of our R&D budget spent on optimising our devices in response to clinical feedback, including extending the length of the needle in MicroBlate Fine and reducing the diameter of Speedboat devices from 3.7mm to 2.8mm to enable additional access into the body.

Whilst we need to ensure our core technology is protected and future proof, our patents filed this year demonstrate our progress in using advanced energy for diagnostics as well as therapeutics. For example, patents for Raman spectroscopy probes have been filed that will measure the inelasticity of tissue to sense changes in thin walled organs, such as the GI tract, and instantly diagnose unhealthy tissue, which will enable clinicians to 'see' abnormal tissue and 'treat' it using one of Creo's medical devices.

Extending our work into new energy modalities continued as we filed a new patent that demonstrated how non-thermal plasma could be used to eliminate the biofilm in wound care.

Our IP estate now comprises of 121 product families with 376 granted patents and 870 pending applications as at 31st December 2021.

Q: Speedboat Inject was developed to treat early-stage colon cancers. What has the new technology meant for patients and the NHS?

A: This was our first product, designed for use in the gastrointestinal tract. Using bipolar radio frequency and super high-frequency microwave energy it can dissect, resect, coagulate and inject, all in a single device.

The treatment, undertaken using endoscopy, allows clinicians to pinpoint, excise and remove cancerous lesions from the body.

Before the introduction of our device, patients would have to have undergone open surgery or laparoscopic surgery to remove cancer cells. They would be looking at a week-long stay in hospital and some would have needed a colostomy bag for six months afterwards.

Speedboat Inject means that only mild sedation is needed, and in some cases, no sedation is required at all. Patients can be out of hospital within a few hours of the treatment and, at worst, will only need an overnight stay. This means recovery times are drastically reduced.

This doesn't just benefit patients. We estimate it saves the NHS around £10,000 per procedure, freeing up valuable resources and beds.

Q: What's the future for Speedboat Inject? Do you see it being used for other conditions?

A: The device has proved highly effective in treating colon cancers and as more and more clinicians are trained and become confident in using it, I expect the number of patients who have access to the treatment to grow.

We are also looking at where we can expand use of the device to help treat other conditions. In the US it is being successfully used to treat achalasia, a rare disorder that makes it difficult for food and liquid to pass from the oesophagus to the stomach due to the muscles in the oesophagus failing to open properly, or not opening at all.

Speedboat Inject is used to tunnel through the muscles, opening up the entrance to the stomach and allowing patients to eat and drink again. This non-invasive procedure has been conducted over 100 times in the US.

Other possible conditions that we are looking to treat with Speedboat technology include haemorrhoids and urinary tract cancers.

Q: Are there any new products on the horizon over the next 12 months and beyond?

A: As we evolve our partnership strategy for Kamaptive, the focus for our R&D during the year ahead will be on extending our advanced energy technology beyond our initial devices for use in robotics, handheld laparoscopic applications, non-thermal plasma for wound care and scope decontamination and electroporation.

We are working towards the next generation of CROMA, introducing a distributed architecture, for energy sources and diagnostic modules, with plans including additional features such as other new energy sources , tissue measurement and characterisation modules, and the ability to use higher power and multiple microwave frequency sources , opening up potential for the treatment of large tumour ablation and brain tumours.

Further work on Raman spectroscopy will support our vision of being able to 'see' diseased or abnormal tissue in any region of the body and ultimately use this information to 'treat' using our miniature devices, improving outcomes for patients.

As well as expanding the uses of Speedboat Inject, we are developing two new products that are already being trialled by clinicians in the US and elsewhere.

Q: How is Creo creating a team capable for success?

A: To ensure that we match our skills and resources to support both research and development, we increased our technical staff by 40%. Recruits ranged from software engineers, industrial designers and electronics graduates to process and quality engineers to work on developing the next iteration of our CROMA Advanced Energy Platform and Kamaptive capabilities, our products and to support the move into manufacturing. Whilst we are looking for specific expertise to grow our team, finding people who are a good fit with the Creo 'can-do' spirit and collaborative culture has been equally important.

We restructured the R&D function to ensure each device has its own fully equipped development team to enable effective delivery, working closely with production. Concept teams now focus on applied research to enhance the features of our instruments and generator, undertaking feasibility studies and building proof of concepts with rapid iteration of ideas.

The engineering team is currently based in the UK, in North Wales and Bath and the addition of Aber Electronics in Essex will complement our research and design expertise, providing additional specialist microwave and radio frequency knowledge and technology.

Q: What continues to drive you and the business?

A: It was unbelievably sad that we lost one of our own and a dear friend this year who passed away with kidney cancer. Sandra Swain was instrumental in the development of our technology and the business would not be where it is without her. Her passing highlights the importance of our mission to continue to innovate and bring products to market to improve patient outcomes.

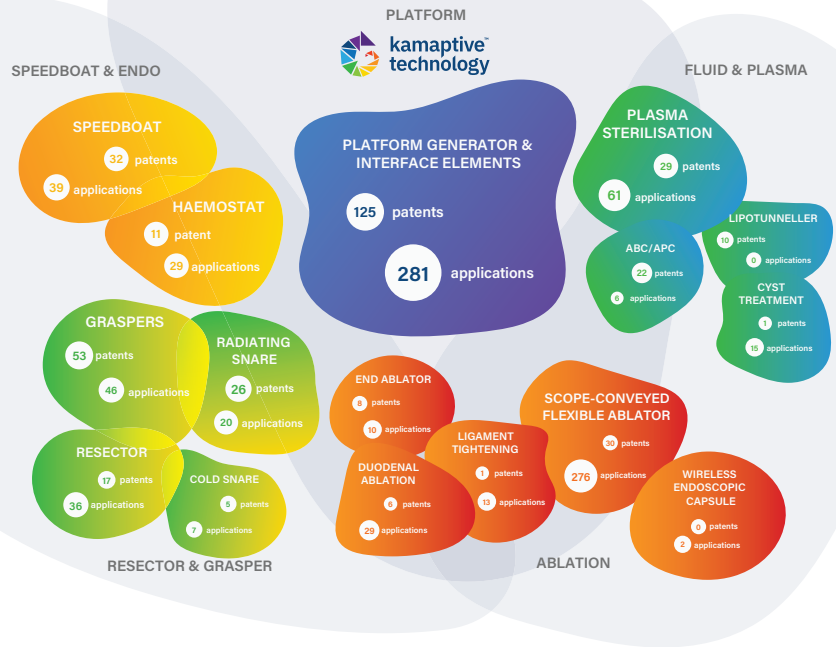
As we are all very aware, the NHS is facing huge waiting lists of those requiring operations. We are also seeing patients who avoided seeking medical attention during the pandemic continue to present with signs of cancer. Creo Medical and our range of medical devices has an important part to play in tackling this by giving clinicians the means to treat early-stage cancers without the need for major operations or lengthy hospital stays.

Longer term, my hope is we will be able to integrate diagnostics into our devices, using our technology to rapidly screen and detect, as well as treat cancers.

Overview of Creo Medical patent families

376 granted patents

870 patents pending



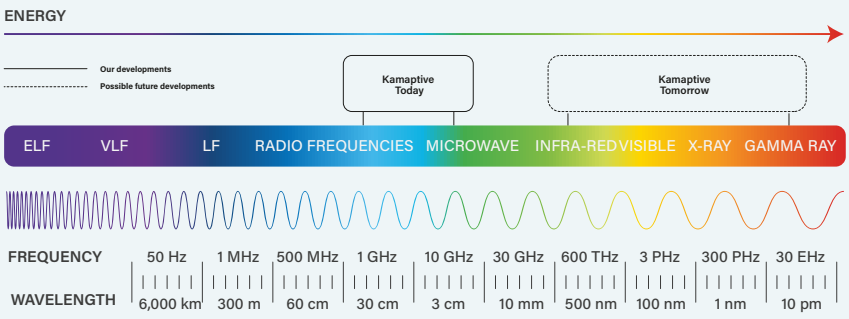
As of 31 December 2021, we had 376 granted patents and 870 pending applications around the world.

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)

Looking forward

Underpinning Creo's ambitions is our vision of how the 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. See our Markets and opportunities section on page 19 to see market opportunities for our Kamaptive technology.



Strengthening and growing

To accelerate our mission to reach as many patients as we can we aim to identify and undertake key acquisitions to strengthen our commercial and clinical reach.

The transformational acquisitions of Albyn Medical and Boucart Medical in 2020 have helped to significantly advance our strategy. Throughout this year we have been integrating these businesses with the Creo business and making them and their products part of the Creo Brand.

This integration has helped us to establish routes to market for our products in Europe, significantly strengthening our pool of expertise, KOLs, and commercial team as well as contributing significant revenues and cashflow for the business.

As the acquisitions have bedded in, the business is exploring potential options to leverage the skills, experience and products of the Creo Consumables group in Europe, combining these with the core advanced energy technology. This synergy also enables us to provide a broader and balanced solution to our end users to support more of their needs for performing endoscopy services, benefiting both patient and healthcare providers. We are excited by the opportunities here to support the growth of both the consumable market and our core technology as we move forward.

Aber Electronics

The Group acquired Aber Electronics Limited in November 2021 for £1.4m.

Aber are microwave and radio frequency specialists. They have long been an existing supplier to Creo, with their power amplifiers a key component of our CROMA Advanced Energy Platform.

The team are extremely experienced, supplying the broadcast, film, defence and medical industries for over 11 years and counting.

Aber are currently developing key components for Creo's 2nd generation CROMA Advanced Energy Platform. They will continue to work from their Colchester base in the same way as before, albeit with stronger direct links to the Creo team and with the demands of the Creo business front and centre.

For Creo, this acquisition will complement our research, design and manufacturing processes. It also provides additional specialist microwave and radio frequency capability and expertise within the business, helping enable the adaptation of the Company's technology for its partnering programme whilst also securing a key element of the Group's supply chain.

Team at Aber Electronics Limited led by Andy Haynes (top right).

Q&A with Luis Collantes

Q. How has the commercial team responded to the opportunity to sell the Creo technology within Europe?
A. Following training of the sales teams across Europe in July of last year, across our territories the teams have continued to develop their understanding of the Creo devices and the advanced energy capabilities. Given their access to numerous endoscopists and clinicians, we have been able to identify and offer targeted clinical led training to increase our user base and generate increased sales for the Group. The teams have also welcomed additional investment and training to develop their skillset and career opportunities.

Q. What has been the reaction of customers to the acquisition?
A. Albyn Medical has been in the GI and Urology market for years with very close relationships with its clients. Becoming part of this bigger project was initially unexpected, however after explaining the reasons and synergies, it became clear for everyone that the potential of Creo Medical's technology combined with the Albyn team and product range was a great opportunity for them to have access to great technology with a great service.

Q. What are the benefits from combining the consumable business with the wider Creo Group?
A. Being part of Creo has increased opportunities to expand the consumable product offering worldwide, through existing sales channels developed in direct markets and through M&A opportunities. In addition we have seen that market opportunities have arisen in our traditional markets from the Creo brand name, highlighting sales synergies both ways. Cross skilling of workforce and synergistic benefits of sharing services has enabled the business to identify new market opportunities, introduce the Creo technology in Europe whilst allowing us to deliver year-on-year growth on the consumable brand of products.

Q. What are the challenges and differences?
A. Change can always be difficult to some extent, but the business has adapted well and kept its focus, partly because we are used to change but more from our positive and flexible staff. One concern identified is a detraction from driving sales in the consumable business as a result of introducing new devices and technologies. However through restructuring of teams, training, ongoing support from our colleagues and clear goals, we are confident in delivering continued growth and developing the core technology adoption across Europe.

Accelerating and expanding

We recognise that we may not always have the resource to utilise all our IP and to reach all the stakeholders that can benefit from this technology.

We intend to partner with leading organisations and select technology partners to bridge the gap between organic growth and pure M&A to further enhance shareholder value.

We believe that partnering will accelerate our growth, create shareholder value and realise the full potential of our Kamaptive Technology as it will give Creo access to the expertise of third parties on a de-risked basis and access to new adjacent markets. This includes fields such as laparoscopic surgery, robotically assisted surgery, and non-thermal plasma sterilisation.

Robotics
During 2021 we've focused on ensuring our Advanced Energy Platform CROMA, powered by our Kamaptive Technology, is ready for licensing and we have identified a number of target areas where we are looking to partner.

As a result, in January 2022 the Company entered into non-binding heads of terms (the HoTs) with a number of parties which relate to the Company's SpydrBlade and MicroBlate technologies and Plasma Sterilisation. This is accelerating the development of the "powered by Kamaptive" brand, by enabling partners to leverage our core Kamaptive technology.

Robotic-assisted surgery, with a global market of $4.8bn, and projected to reach $9.65bn by 2025, is one of the fields with the most potential.

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 the HoTs signed with robotic partners will allow them to power their platforms with Creo's Kamaptive technology and use advanced energy to enhance their capability, enabling Creo to achieve its vision sooner and treat more patients.

We believe that 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.

Cool plasma sterilisation
We continued to develop our non-thermal Plasma sterilisation technology. Working with microbiologists at the University of the West of England we validated the efficacy of our technology by demonstrating the effective denaturing of biofilm in endoscopes and denaturing of microbes, viruses and bacteria in lab conditions.

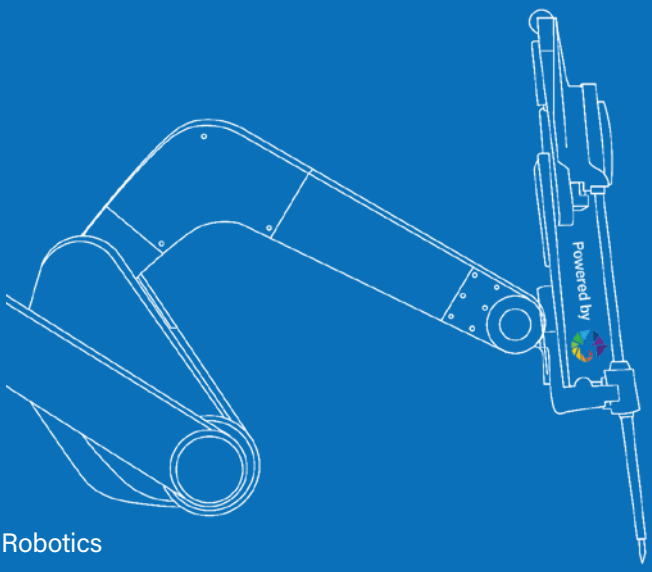
Following this breakthrough we actively sought partners to advance this technology in various applications in wound care, medical instrument sterilisation and urinary tract infections. The recent HoTs signed aims to further advance this technology during 2022 and open our technology to significant markets.

Further Investment in IQ Endoscopes
Creo made a further £1 million investment into IQ Endoscopes along with the Development Bank of Wales to maintain its current stake in the company.

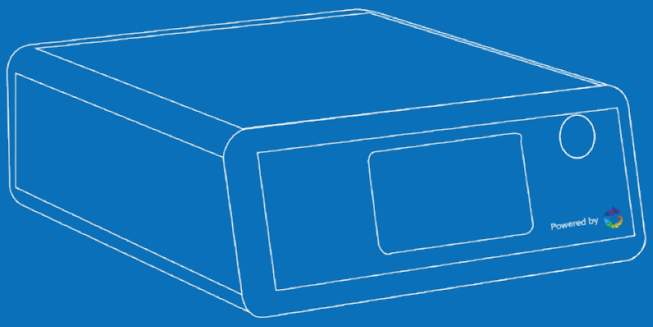
The investment will allow IQ Endoscopes to achieve regulatory approval for its single use flexible gastroscope, as well as accelerating the development of its single use flexible colonoscope – both of which complement Creo's suite of products.

IQ Endoscope's Q Vision Technology will replicate the physical handling and ergonomic performance of re-useable endoscopic technologies, through a patented and sustainable single use platform. Single use endoscopy will not only eliminate all threat of cross contamination between endoscopy procedures, but also increase throughput of patients and allow greater access to flexible endoscopy procedures on a global scale.

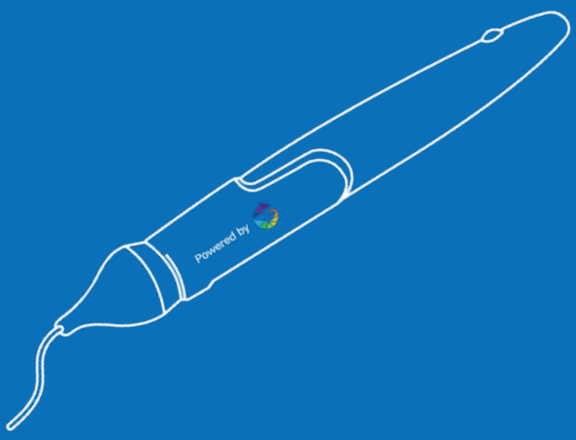
Realising the power of Kamaptive through partnering and licensing opportunities.



Robotics



Advanced Energy Solutions



New innovative devices

"We are delighted to have secured this Series A fund from our original investors as well as welcoming new co-investors to the round. We would like to thank both the Development Bank of Wales and Creo Medical PLC for their support and funding since our Seed Investment in July 2020. This new funding will allow us to accelerate our regulatory approval programme for our range of single use endoscopes as well as progressing with our strong product development roadmap. We will continue to expand our team in South Wales and look to build critical foundations that will allow us to rapidly commercialise our technology on a global scale.

Creo Medical have a been an incredibly supportive partner since our inception. Our independent missions are very aligned and we continue to explore all options to support the growing need for endoscopic technologies and procedures."

Matt Ginn
CEO
I.Q. Endoscopes

See pages 14 and 15 for more on our Kamaptive technology

Sound progress underpinned by strong governance

Charles Spicer
Chairman

Overview

Like most PLC Chairs, I would have rather not been talking to shareholders about the COVID-19 pandemic for a third successive year. The reviews earlier in this Annual Report by our CEO and CCO detail how restrictions on travel, limited access to hospitals and delays in elective procedures have unavoidably slowed the clinical adoption and commercial roll-out of our CROMA Advanced Energy Platform around the world. But despite these challenges, we have further broadened and deepened our range of products during the period to treat a longer list of medical indications and so improve the lives of a broader group of patients. This continues to stimulate interest in adopting CROMA from our clinical champions, especially in Europe and the US where patients are benefiting from Creo's technologies.

Governance

We have not allowed the COVID-19 pandemic to hinder our corporate governance efforts, which remain front and centre of our work. Within this section of the report, we have set out details in respect of our continued ESG commitment, information regarding our s172 compliance with examples from the year, as well as the summary of our compliance with the Quoted Companies Alliance (QCA) Corporate Governance Code. As we continue to grow, both organically through acquisition and through partnership, the Board is unanimous in its view that it is strong governance which underpins the success of our activities and which provides a sound framework for the business to operate within.

Management and staff

As in previous years, the Board would like to applaud our management team and all our employees for another year of important strategic milestones. Together they have shown perseverance, flexibility and inventiveness in developing Creo's products and their international markets, despite the headwinds described above which have limited the rate at which we could train new users globally. Thankfully, our rightly celebrated colleagues in the vaccine sector have been remarkably successful in developing and rolling out effective vaccines in our priority UK, Continental European and North American markets. We have been encouraged to see the cautious lifting of travel and other restrictions in our key markets in recent months.

Integration of acquisitions

The successful integration of the two acquisitions completed in 2020 has been a strategic priority during the year. This nicely illustrates our Build – Buy – Partner strategy in action and lays the groundwork for significant shareholder value creation. The Board thanks the commercial teams led by David Woods and Luis Collantes who have worked tirelessly together across geographies, time zones and specialities to leverage Creo's growing and unique set of strengths and skills.

Albyn Medical and Boucart Medical are both well integrated into the Group and have been rebranded under the Creo Medical umbrella. This offers an unrivalled one-stop solution across Europe in the fields of gastroenterology, urology and endoscopy, backed by strong customer service and Creo's outstanding innovation, to deliver a unique and winning combination to our customers. The timing of the acquisitions was ideal as it has given the business a sound commercial footing that would not have been feasible to build organically during a global pandemic.

Shareholders

It is customary for the chair on behalf of the Board to thank fellow shareholders for their continuing support during the year under review and we continue that custom sincerely. The successful Placing and Open Offer raising £34.3m (after costs) in September 2021 was another important strategic milestone. Executed in volatile and challenging small cap capital markets, the placing has widened our already strong and deep shareholder base. We appreciate the patience and support of our longstanding shareholders and welcome our new holders onto the share register.

The Company is deploying the proceeds of the Placing to accelerate our growth strategy and further product development. With a strengthened balance sheet we can continue on the path to being a truly global independent medtech innovator able to operate in a market led by much larger US and Asian companies. We need these resources to optimise the opportunities for our world class technology and products to compete with competitors, support our partners in all applicable markets and strengthen our position in negotiations with potential licensing partners.

We encourage active dialogue with all shareholders to ensure our strategy and business model is well understood and that we, in turn, understand the priorities of our shareholders. Notwithstanding the restrictions on in person meetings, both the Executive and Non-Executive Directors have maintained and developed frequent contact with shareholders backed by regular updates via RNS and plan more of the same in 2022.

1
Acquisition

290
People

12
Offices worldwide

In November, we announced the appointment of Numis as Joint Broker alongside our Nominated Adviser and broker, Cenkos Securities. This provides shareholders and potential shareholders with widened equity research coverage and enhanced international share trading facilities in the company's shares.

ESG

Ever since our foundation, Creo Medical has taken seriously our responsibility to the environment, our diverse stakeholders (led by the patients) and to ethical, transparent and well governed business practices. As we grow internationally, we are putting in place a sector leading ESG framework which is outlined below in our ESG report.

Outlook

Creo Medical continues to innovate, to educate and to commercialise. While nothing can be guaranteed in an uncertain world, the Board looks forward to further updating shareholders during 2022 on important product advancements, meaningful commercial progress and landmark partnerships. The sound progress made over the past year underpins the Board's strong confidence in the Group's opportunities in 2022 and beyond.

Building our ESG commitment

"Improving individual patient outcomes means much less if we're not doing this responsibly."

Creo Employee

Creo's mission is simple – to improve patient outcomes. As we increase our production, expand into new counties and bring new companies as well as people into the fold of the Creo Group, it is imperative our mission is allied with our commitment to be a responsible company. This means being an ethical employer as well as contributing positively to the environment we operate in. Regardless of how our technology develops and improves, this aim will remain a constant.

We have taken great strides in putting in place a robust ESG framework to allow us to achieve our ESG goals as the Group continues to grow and expand into current and new countries. We have:

- Built a team responsible for delivering our ESG objectives
- Created a roadmap to help us meet our ESG commitments with TCFD guidelines in mind
- Put in place the structure to collect and measure data from our activities around the globe to allow us to make informed decisions and set structured and meaningful targets
- Implemented working and social policies as described below to ensure we attract and retain the best talent
- Continue to support our communities

ESG Framework

ESG efforts underpinned by our core values

Environmental

- Emission targets
- Reduce Wastage
- Sustainability
- ISO Accreditation

Working with employees and the wider community to address environmental issues.

The Board is keen to ensure Creo commits to sustainable business practices and implement TCFD disclosures and actions.

Social

- Our People
- Our Community
- Training
- Employee Wellbeing

Creo Core Values

Ensuring there is clear communication between those in charge of governance and the wider workforce and stakeholders.

Governance

- Anti-Bribery policy
- Equality & Inclusion
- Stakeholder Awareness
- Directors' Duties
- HCP Compliance

OUR CORE VALUES

Collaboration
Creative
Life changing
Can-do
Disruptive

Environment

We recognise as we grow as a business in terms of global reach, selling single-use products and increasing headcount, we will create a carbon impact on the environment. There is no escaping that fact. However, as a responsible business we aim to minimise this impact. To enable this we are working towards actively measuring what our carbon footprint is so we can implement strategies and programmes that can help decarbonise our operations, minimise the greenhouse gases that we emit and to contribute to a net-zero environment.

The TaskForce on Climate Related Disclosures ("TCFD") will likely become mandatory for the Group to report against by 2025 and sets an appropriate framework from which Creo can integrate a robust environmental programme into our business. We aim to assess and develop key areas of this framework within the business during 2022 and have started this journey by designing high level strategies, which have been communicated to the Board. Furthermore, we have incorporated climate risk and ESG risks into our risk management process, see page 50. In addition, to support these efforts we have created a team focused on ESG delivery and developing our data capture and metrics.

TCFD framework

Governance	Strategy	Risk Management	Metrics and Targets
Disclose the organisation's governance around climate-related risks and opportunities.	Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.	Disclose how the organisation identifies, assesses and manages climate-related risks.	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.
Recommended Disclosures	**Recommended Disclosures**	**Recommended Disclosures**	**Recommended Disclosures**
a. Describe the Board's oversight of climate-related risks and opportunities.	a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	a. Describe the organisation's processes for identifying and assessing climate-related risks.	a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.
b. Describe management's role in assessing and managing climate-related risks and opportunities.	b. Describe the impact of oversight of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	b. Describe the organisation's processes for managing climate-related risks.	b. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.
	c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2ºC lower scenario.	c. Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.	c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

We are still at early stages of implementing these guidelines throughout our organisation however examples below demonstrate our commitment to mitigating climate change:

Environmental management system

Our efforts have been centred around successfully implementing our ISO 14001:2015 Environmental Management System and analysing the potential for Creo to take wide-ranging action in the future. Creo France has already achieved ISO 14001:2015 and we achieved this in the UK in early 2022.

Emissions and Utilities Usage

One of our key ESG goals for 2021 was to record and collect relevant data and metrics around our emissions and energy usage. This data is not just important for disclosure requirements which we believe will become mandatory for the Group in the foreseeable future but also to provide insightful knowledge so it can help shape our strategy to manage our emissions and usage in future.

We have identified our usage for the current year and will use this data to help track our progress against our usage and emissions goals for 2022.

As part of our plan to reduce emissions Creo is planning to offer a Company Car scheme for electric vehicles to all eligible employees. This will help reduce the total emissions spent via travelling using vehicles.

We are continuing with our cycle to work schemes in 2022 which become more relevant as people transition back to the office.

During the year we continued with the migration from fluorescent lighting to LED across all our sites and issued guidance to home workers on energy use and conservation in the home (as well as on-site).

Waste Management and Recycling

As a producer we place electrical items onto the UK and global 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.

We've also started to measure the amount of plastic packaging used in our production line, in order to comply with the UK Plastic Packaging Tax that will be introduced in April 2022. Although an exact figure is not yet available, we believe we currently fall under the tax's threshold of using more than 10 tonnes of plastic packaging containing less than 30% recycled plastic per year. However, we will continue to look at sustainable practices to manage our plastic usage and suitable alternatives.

We make a conscious effort to reduce the amount of waste (in particular single-use plastics) generated within Creo, and across all our offices as part of our ISO 14001:2015 work. Notable examples of waste reduction and recycling include:

- Introducing the practice of separating rubbish to our offices, with different-coloured bins for hard plastics, soft plastics, cans and tins, paper and cardboard, batteries, and general waste
- Reviewing our supplier policies to reduce the amount of plastic used in our production line
- Eliminating single-use cups from our offices after their re-introduction during the pandemic
- Conducting audits of our specialist waste contractors to ensure proper compliance, as part of our ISO 14001:2015 efforts

Supply Chain

We continue to audit our supply chain and have begun introducing audits on waste management and developing processes to assess environmental concerns within our supply chain. Furthermore, we are exploring potential partners that recycle our production waste via 3D printers for various production process creating a circular environment/economy.

Focus for 2022

- Analyse the TCFD recommended disclosures, establish which could benefit Creo most and implement those throughout Creo.
- Analyse the potential for Creo to support decarbonisation and establish a circular economy.
- Measure all emissions that the Creo Group directly or indirectly produces as accurately as possible and analyse future disclosure requirements for Creo.
- Minimise waste throughout our production and supply chain processes, and in the future incorporate environmental concerns into the design stage.

Social

Our People

Our core values and strong culture are critical to our future development.

Our people are one of Creo's key assets. We strive to collaborate, using our creative can-do spirit to ensure we remain at the forefront of innovative technology and provide a fun and safe environment which is open to all, as we aim to improve as many patient lives as possible.

Equal Opportunities

Creo is committed to providing an equal opportunity for all and to eliminating discrimination by giving fair and equal treatment to all employees and job applicants regardless of age, disability, race, sex, sexual orientation, marriage or civil partnership status, pregnancy, maternity and paternity, gender reassignment, religion or belief. or any other aspect which makes them unique.

An Equality, Diversity and Inclusion Policy is in force which aims to ensure that all employees are selected, trained, compensated, promoted and transferred solely on the strength of their ability, skills, qualifications and merit. There is a policy of including women in all recruitment selection pools and on all interview panels.

Employee Wellbeing

The physical health and wellbeing of our employees is fundamental. Changing conditions over last year with various lockdowns, ongoing restrictions has been no doubt been difficult for many. We have continued to take a holistic view and managed by maintaining our flexible approach and focusing on output delivered, not on where or how we worked.

In the UK, the growth in headcount has meant we will need to create additional working space to accommodate all our teams but we anticipate a new normal of hybrid working which should ensure there is appropriate flexibility but recognise teamwork and face to face connection will enhance collaboration and provide needed social interaction for some. The key will be balance and we will continue to monitor our workforce and adjust our approach accordingly.

During the year we rolled out medical and wellbeing 24-hour access to all employees through various partnerships. This provides employees with 24-hour support and promotes their wellbeing as well as providing access to doctors, opticians and therapists where required.

Financial support programmes with our banking relationships and as part of wellbeing programme have also been added to further support our people.

During the year we implemented a tax advantaged Share Incentive Plan for all UK employees where employees, if they choose, can purchase shares in the Group as part of a salary sacrifice scheme. This has been well received and supported by 69% of our staff.

Communication

We believe that keeping in touch, strong leadership and communication is critical to positive employee engagement and will continue to be encouraged throughout the organisation. This has evolved as our business grows in size and geography. We continue to hold town hall meetings to discuss progress against our objectives, created internal press releases and actively encourage an open-door policy to ask questions and challenge our executive team.

We were also able to hold a summer BBQ bringing together teams across the Group to meet each other for the first time, in many cases, and celebrate our achievements to date.

During the year we introduced a new language support lessons for our colleagues in the UK to learn one of the local languages in our other European offices. This has helped us to engage and connect with our European colleagues and encourage greater collaboration and communication. This piloted scheme will be measured for its success and potentially rolled out across the Group.

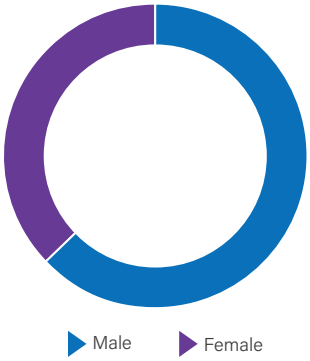
Building the Creo family

Retaining and attracting the best talent remains key to Creo's future success and strategy. We have and continue to recruit the best talent in all areas to ensure we maintain a competitive advantage and strive to offer market leading employment packages and working conditions to motivate and empower our staff. We are implementing a new talent review system for our current colleagues to identify their potential and motivate them to realise this potential.

Creo encourage all of our staff to complete regular training and empower them to seek focused training for the roles and career progression accompanied with specific group training to upskill across the Group. We continue to sponsor many for their continued development through professional qualifications from Finance degrees through to Engineering PhDs. Training is key to the Creo ethos and ensuring that we continue to have the best talent and continue to disrupt.

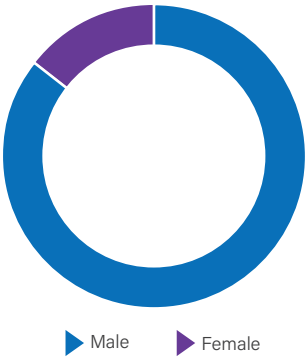
Key Group composition metrics for 2022

Gender of Employees across the Creo Group



63%
Male employees

37%
Female employees



6
Male Board members

1
Female Board members

Health and Safety:

Ensuring the health and safety of our employees, our partners, the end patient and wider Creo family is our number one priority and an important part of our culture. We are proud of our record to date and continue to invest in maintaining a robust workplace safety programme.

We're currently in the process of unifying our Health and Safety policies (allowing for legal differences in the different countries we operate in) across the Creo Group. We've received a ROSPA award for our UK sites in 2020 and 2021 and also have an ultimate long-term aim to achieve the ISO 45001 occupational Health and Safety standard across the entire Creo Group.

COVID-19

We continued to take a risk averse strategy, putting people's health ahead of the business and have led by example throughout the pandemic by ensuring we followed the recommended guidelines and beyond within individual regions through working from home, social distancing and best-practices for returning to work with appropriate safety measures in place.

The Board made the decision during the year to repay the furlough money paid to the Company as they considered the Company thankful to be in such a strong position at this time.

Creo Medical originally purchased hundreds of ventilators and oxygen concentrators in 2020 to donate to the NHS to support the UK's initial COVID-19 response. However, when cases of the infection began to decline and they were deemed as not being needed, the equipment was given to Hope2Sleep, a sleep condition charity based in Hull.

After learning about the emergency situation in India, both organisations decided to donate these vital supplies to the international humanitarian effort. This included 122 ventilators and 95 oxygen concentrators, alongside tubing, masks and filters.

Creo Medical and Hope2Sleep connected with BAPIO, a non-profit organisation run by British-Indian doctors, who have been organising a range of fundraising, support and donation initiatives. This has included procuring key medical equipment, providing clinical triaging and reporting through remote telemedicine services, and delivering critical food supplies. Dr Ramesh Mehta OBE, the founder of the charity, was able to signpost and guide both organisations in their donation efforts.

"Being able to access a doctor out of hours when I had a medical emergency allowed me to get the advice I required and provides great peace of mind and makes me feel supported by Creo."

Creo Employee

Working in our Local Communities

We actively encourage employees to get involved in local charities and community projects. Our new community impact policies will also include the introduction of extra annual leave for our employees for volunteering days to support these efforts.

At Creo we've engaged in multiple ad hoc initiatives on national, regional, and local levels, some examples are:

- National – Bowel Cancer UK: we work with them on activities and fundraising campaigns, for example their 'Walk Together' campaign in June 2021.
- Regional – Velindre Cancer Centre: we support their annual events and campaigns, such as Golf Days and Bike Rides.
- Local – Community Initiatives: for example, sponsoring Chepstow CC's Youth Cricket Teams.
- Europe – we annually support a gala dinner 'Kids against cancer' where funds are raised to help children from underdeveloped countries have cancer treatment in Spain.

We're also planning to work closely with a local school in 2022 – we're planting 200 trees on their school campus, and we hope to work more closely with them in the future, for example through knowledge sharing initiative days and tours of our facilities, with the aim to spark an interest in technology, the medical world and the local community which may lead to positive outcomes for their lives.

2022 Focus

- Expand the volunteering policy we're launching (in January 2022) to cover other areas of community impact work, for example individual employees' actions.
- Introduce a core Health and Safety policy for the whole Creo Group, allowing for variations across different locations, by 2025.
- Support our employees as we adapt to the "new normal" of hybrid-working between the office and remote work, particularly with the expansion of the Chepstow office.

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.

This starts with setting the 'tone at the top' and communicating this through the Company in all its decisions and actions. Ways in which we have set this tone can be found in our S.172 statement on pages 45 to 47.

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.

Anti-Bribery, Modern Slavery and Ethical Workplace training

Creo has a responsibility to safeguard its business interests and to educate its employees about key ethical and legal issues that affect our daily business dealings with our customers, suppliers and colleagues.

In an effort to fulfil this important responsibility, we launched a new online platform with a series of dedicated online courses that are mandatory for Creo staff to complete, which ensure all staff are aware of our anti-bribery policies, modern slavery policies and our ethics and diversity workplace conduct.

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 along with other firms in other jurisdictions, including the EU, to support the business as it grows and to put in place standard documents and procedures which the business can operate under.

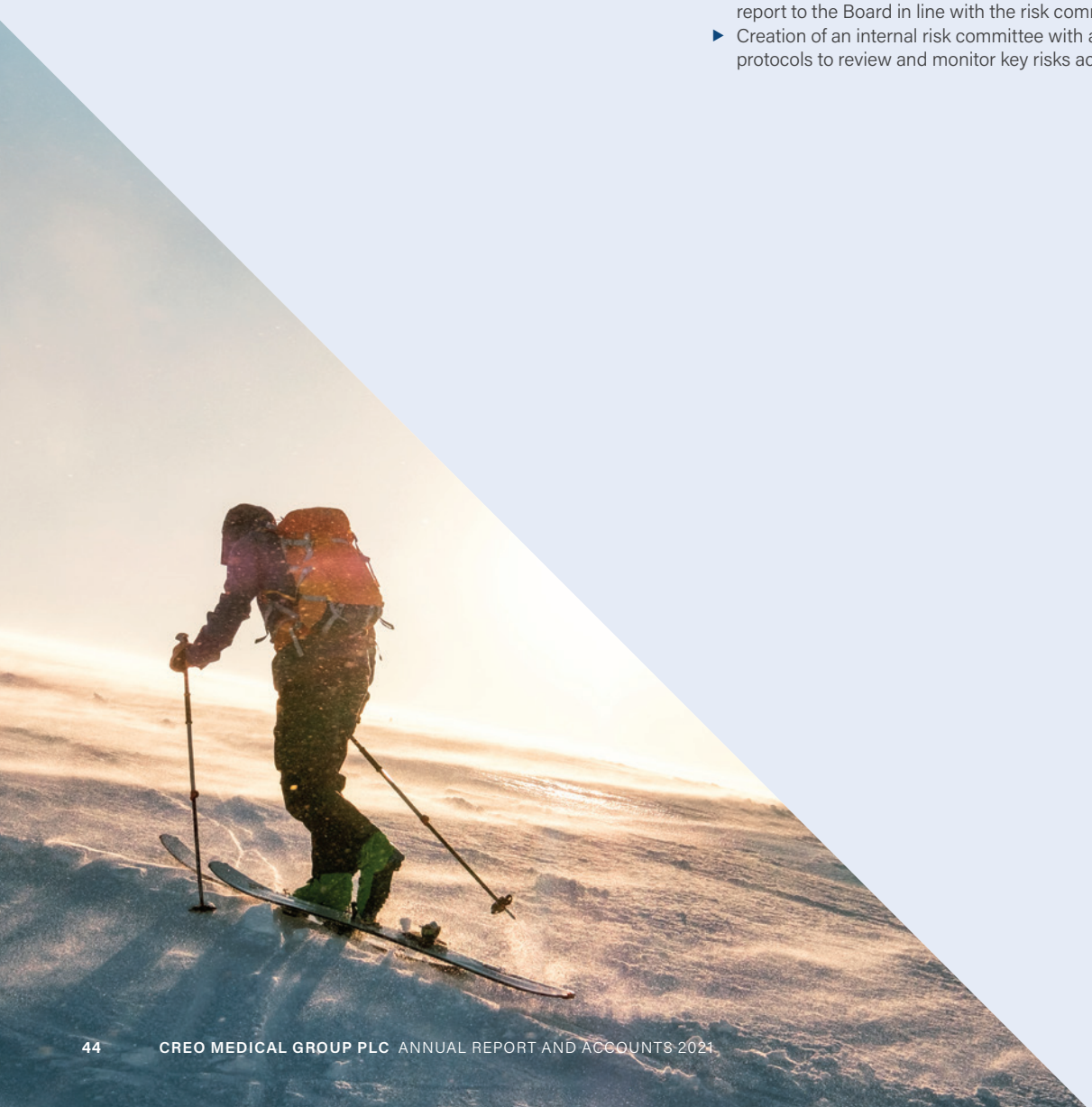
In the UK we have become a member of the Association of British HealthTech Industries ("ABHI"), which provides support and guidance on best practice for Medtech companies.

Risk management

Our approach to Risk Management is outlined on pages 50 to 51.

Focus for 2022

- Monitor and fulfil new corporate reporting requirements that Creo becomes subject to, most notably reporting our Gender Pay Gap.
- Monitor worldwide compliance requirements for medical devices on an ongoing basis, for example regarding healthcare practitioner interactions; update our policies and processes in this regard, if necessary.
- Create new ESG internal committee with relevant stakeholders and report to the Board in line with the risk committee process.
- Creation of an internal risk committee with additional risk review protocols to review and monitor key risks across the business.



Section 172(1) statement

Engaging with our stakeholders

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

The Board of Directors' statement regarding Section 172(1) of the Companies Act 2006 and our commitment to transparent and constructive dialogue with all our stakeholders.

The Board of Directors (the "Board") considers, in good faith, 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 having regard to the matters set out in s172(1)(a-f) of the Companies Act 2006:

(a) The likely consequences of any decision in the long term:

The long-term success of the Company and the Group as a whole is always a salient factor for strategic decision-making. The Company is developing technology and products which address long-term clinical needs and for which there are sizeable addressable markets. The nature of these markets dictate that a long-term view is taken. This is further exemplified through our investment in our Clinical Education Programme and the relationships which we are developing with commercial partners.

(b) The interests of the Company's employees:

Core to the success of any company is its employees. Creo is no different. As a significant and critical factor, employee wellbeing and development has continued to be a priority during 2021. Our People section on page 42 provides further details on the investment that we have made in our employees during the year and the steps that we have taken to ensure that all employees have been supported during the continued pandemic.

(c) Fostering business relationships with suppliers, customers and others:

The adoption of Creo's core technologies by customers requires the business to not only build strong relationships but to provide support through ongoing clinical education on the safe use of our products. By developing strong customer relationships, we seek to ensure that we release products to the market in a measured and controlled manner to minimise the risk of misuse and ensure products are customer sponsored for the long term (i.e. through clinical education and peer support by key opinion leaders).

Within our wider business, the Group is both a customer and supplier of third-party, Original Equipment Manufacturer ("OEM") and Own Brand Labelling ("OBL") products. It is therefore essential that strong relationships with any third-party partner is built on trust and mutual respect and is collaborative.

(d) The impact of the Company's operations on the community and the environment:

We place a high value on our relationships with our communities around the globe, and have an acute awareness of the impact our operations and products have on the environmental and how we can mitigate any such impact. Our ESG report on pages 38 to 44 provides further details in this regard and the steps that we are taking.

(e) Maintaining a reputation for high standards of business conduct:

Creo's mission is clear: to improve lives. As such, ethical values and high standards of business conduct are at the heart of what we do. We expect all employees and representatives of the Company to maintain the high standards that we set ourselves. These values and business conduct requirements are enshrined in our corporate governance, our policies, our working practices and our systems (including our third-party audited ISO:13485 quality management system). It is the Board's view that by encouraging high working standards we will mitigate against risks arising in our day-to-day activities.

Please also see our Governance report on pages 59 to 63.

(f) The need to act fairly between members of the Company:

The Board recognises that members have different views and objectives. Accordingly, in making decisions, the Board always seeks to ensure that its decisions are equitable and fair as between the members of the Company whilst also balancing the interests between all stakeholders.

Stakeholder Engagement

The Board takes into account the concerns of its stakeholder groups 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.

The continued impact of the COVID-19 pandemic during 2021, has unavoidably constrained the ability of the Board to engage with stakeholders in person. Nevertheless, the Board has continued to receive regular feedback from stakeholders.

Set out on the next pages are some examples of key decisions made by the Board during the year together with a summary of certain key stakeholder group considerations, along with details of, 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.

Section 172(1) statement continued

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:

FUNDRAISE	**Actions** ▶ £29.3m raised by way of conditional placing and £5.0m by way of open offer. ▶ Utilised internal and external resource to undertake the transaction.	**Key stakeholder group considerations** ▶ **Shareholders** – considered the timing and need to raise additional capital to provide funding for key projects along with medium term working capital requirements. ▶ **Employees** – additional funding provides employees with greater job security and confidence, along with the resource to grow the business. ▶ **Partners, Customers and Suppliers** – partners, customers and suppliers want to engage with a financially stable third party with supportive shareholders.
ACQUISITION OF ABER ELECTRONICS	**Actions** ▶ Acquired the entire issued share capital of Aber Electronics Limited. ▶ Utilised internal and external resource to undertake due diligence and advise on the transaction.	**Key stakeholder group considerations** ▶ **Shareholders** – deployed capital to secure a key part of Creo's supply chain and gain additional Microwave and Radio Frequency expertise to support the wider group. Considered shareholder value risk mitigation in respect of supply chain disruption. ▶ **Employees** – provided employees, both existing and new, with additional opportunities for career development and growth. ▶ **Customers and Partners** – considered product development roadmap and mitigated continuity of supply risk. ▶ **Environment** – considered the environmental impact from manufacture and the ability to control and hone processes to improve efficiencies.
FREEHOLD ACQUISITION	**Actions** ▶ Acquired the freehold of Creo House and adjacent buildings in Chepstow. ▶ Utilised internal and external resource to undertake due diligence and advise on the transaction.	**Key stakeholder group considerations** ▶ **Shareholders** – deployed capital to secure main manufacturing facility and provide for expansion. Considered shareholder value risk mitigation and removed a long-term lease obligation. ▶ **Employees** – provided additional real estate to expand the business. ▶ **Customers** – considered the ability to meet current and future customer demand for products. ▶ **Community and the Environment** – By reinforcing Creo's commitment to its current Chepstow site, it provides additional employment opportunities to the local community.

Key stakeholders Groups

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 open, constructive and effective long-term relationships through open engagement, regular meetings and dialogue. ▶ We have dedicated internal resource to directly engage with regulators in a timely and professional manner.

COMMUNITY AND THE ENVIRONMENT

Key concerns
- Safety
- Sustainability
- Community contribution

How we engage
- We actively 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 communicate further their practice which, in turn, benefits their patient community and thus society as a whole.

SHAREHOLDERS

Key concerns
- The development of our product portfolio and its commercialisation
- Deployment of capital against a clear strategy
- Growth
- Corporate governance
- ESG matters

How we engage
- Regular communication with key shareholders, not least to communicate our strategy and business model.
- Our Annual General Meeting ("AGM") and any General Meetings allow shareholders have direct discussions with the Board.
- Investor roadshows following the release of half and full-year results.
- Attendance by Directors and employees at investor and sector-specific conferences allow interested parties to have direct dialogue.
- Timely and appropriate releases of business information via the RNS and RNS Reach.
- Social media updates provide information on day-to-day activities of the business.

EMPLOYEES

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

How we engage
- Our executive team, supported by a number of senior managers, engage directly with all employees.
- Team structures and organisation planning to facilitate effective delegation and reporting.
- Investment in IT solutions enables communication, in particular with remote working.
- Employees are encouraged to control their career development, aligned to the longer-term growth of Creo.
- During the reporting period we have continued to support the health and safety and wellbeing of all employees.
- Our performance management processes and the promotion of 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
- We engage with key opinion leaders ("KOLs") around the world.
- KOLs and clinicians provide feedback at the concept stage, on devices through design processes, usability studies and pre-clinical testing and analysis. This input assists strategic decision making so we deploy capital on concepts and products that offer the greatest impact for our customers, their patients and ultimately, Creo's business.
- Our Clinical Education Programme provides guidance and training on the safe use of products and real-time feedback from the use of devices.
- Creo's expanded direct sales team supports all customers and users, as well as distribution partners.

Financial review

Commercial footprint established via acquisitions and organic growth

Richard Rees
Chief Financial Officer

I am pleased to announce our fifth 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 2021 fund raise. Following our Build, Buy Partner strategy the acquisitions of Albyn Medical and Boucart Medical have been successfully integrated into the business and have brought immediate revenue and positive cash flow to the Group, which 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 sales channels through new products as well as development of our commercial footprint via acquisitions and organic growth. We opened offices in the US, and APAC as well as purchased the land and additional buildings at our UK headquarters. The acquisition of Aber Electronics has helped to secure our supply chain and the acquisitions of Albyn and Boucart Medical in 2020 have been successfully integrated into the Creo family generating revenues and positive cashflow to the Group.

Revenues billed in the period in relation to Speedboat Inject and CROMA totalled £0.3m (2020: £32k). £24.9m was generated through distribution sales of Creo Europe (formally known as Albyn and Boucart). Other operating income of £0.05m in the 12-month period to 31 December 2021 (December 2020: £0.05m) relates to research grants.

Gross Margin

Gross margin improved from 42.8% in 2020 to 46.0% in 2021.

Operating loss

The operating loss for the period increased to £29.9m (December 2020: £23.5m), reflecting the increased operating expenses in relation to clinical and development activities together with further investment in headcount and business infrastructure including securing US and APAC offices 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 £19.0m (December 2020: £18.0m).

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 £'000)	12 months to 31 December 2021	12 months to 31 December 2020
Operating loss	**(29,907)**	(23,484)
Loss before Income tax	**(30,339)**	(23,462)
Total comprehensive loss for the period	**(26,260)**	(20,745)
Underlying operating loss adjustments:		
Share-based payments	**2,564**	728
Depreciation and amortisation	**2,562**	1,597
R&D expenditure recovered via tax credit scheme	**5,744**	3,146
Underlying operating loss (non-statutory measure)	**(19,037)**	(18,013)

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

Tax
The tax credits recognised in the current and previous fiscal year relate mainly 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 £0.75m deferred tax asset has been recognised in respect of tax losses in Creo Medical Limited which we will utilise through group relief of the future profits in Creo Medical UK Limited. No further tax assets in relation to these losses has been recognised 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 £41.5m (December 2020: £27.6m). R&D spend for the year totalled £12.9m (December 2020: £10.2m) reflecting the continued innovation and development of our technology during the year. Adjusting for share-based payments, depreciation, amortisation and tax income as shown in the table above, underlying administrative expenses are £30.6m (December 2020: £22.1m).

This annualised increase of £8.5m reflects a full year of trade through Creo Europe, 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 65% of the Group's underlying administrative expenses.

Loss per share
Loss per share was 15 pence (December 2020: 13 pence).

Dividend
No dividend has been proposed for the period to 31 December 2021 (31 December 2020: £nil).

Cash flow and balance sheet
Net cash used in operating activities was £26.0m (December 2020: £16.3m), driven by the continued investment in research and development and, establishing a US and APAC presence. Net cash used in investing activities was £7.8m (December 2020: £21.0m) driven by the acquisition of Aber Electronics and purchase of land and buildings for UK headquarters. Cash generated from financing activities was £32.0m of which £34.2m was raised through an Open Offer and Share Placement during the period.

Total assets at the end of the period increased to £100.6m (31 December 2020: £92.5m), a 8.8% 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 2021 was £43.5m (31 December 2020: £45.1m). Net assets were £73.3m (31 December 2020: £62.8m), a 16.7% increase due to fund raise offset by operating loss and share based payment expense.

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 78 to 85.

Key Performance Indicators
As the Group continues to develop and commercialise its core technology, the Directors consider the key financial performance indicators to be the level of cash held in the business, sales and operating expenses controlled to budget. The Board performs regular reviews of actual results against budget, and management monitors cash balances on a monthly basis to ensure that the business has sufficient resources to enact its current strategy.

Certain KPIs concern non-financial measures, such as the number of trainees for our Clinical Education Programme, integration of acquired entities, ESG metrics such as carbon emissions and diversity ratios and progress against our build buy partner strategy. All non-financial measures are monitored on a monthly basis. The Board will continue to review the KPIs used within the business and assess them as the business grows.

Principal risks and uncertainties
The principal risks and uncertainties facing the Group are set out on pages 50 to 51.

Directors
Details of the Directors who served during the period ending 31 December 2021 are set out on pages 54 to 55. 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.

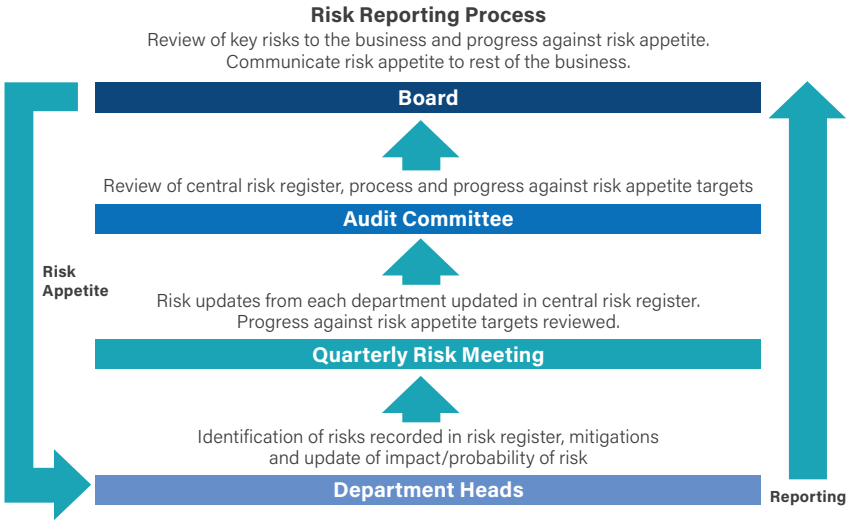
Approach to managing risk

The ability to manage and mitigate risks is a key part of the Group achieving its objectives and fulfilling its strategy. We have continued to develop our risk management framework and reporting process.

We take a bottom-up approach with key risks identified at a department head level, being reported to the Audit Committee and ultimately the Board.

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.

Key risks and uncertainties:

Principal Risk and Impact	Description	How we manage the risk	YoY Movement
Barriers to the Market	Risk our products do not meet the necessary regulatory requirements for the market, are not competitively priced, do not provide value over competitor products. Risk that our technology becomes outdated or superseded by a competitor.	▶ Engagement with KOLs and clinicians through our Clinical Education Programmes. ▶ Development of next generation CROMA and additional suite of products utilising Kamaptive technology. ▶ Benchmarking prices of products in local markets. ▶ Extensive IP portfolio to protect our technology in the market. ▶ Clear marketing strategy targeting individual markets.	◀▶
Breach of legal and regulatory requirements	Risk that the Group breaches legal or regulatory requirements in local jurisdictions which could result in fines, penalties and damage to the Creo brand.	▶ Our Quality Assurance and Regulatory Assurance Team is focused on the regulatory needs for product development and develops quality documentation to support all regulatory applications. ▶ 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 platform.	◀▶

Principal Risk and Impact	Description	How we manage the risk	YoY Movement
Operational Risks	Risk that Creo is impacted by supply chain issues, manufacturing delays or lack of manufacturing capacity, product defects, supplier dependence.	▶ Director of Operations in place to review supply chain risks. ▶ Ensure alternative suppliers are available or secure current supply chain (e.g. Aber acquisition). ▶ We have an outsourcing partner ready if demand required additional manufacturing capacity.	▼
IT and Cyber security Risks	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.	▶ Director of IT in place to help manage IT and cyber security risks. ▶ Cyber strategy review undertaken during 2021 and actions being implemented from this. ▶ Cyber security awareness training implemented across all entities.	▼
Executive and Personnel Risks	Risk of over-dependence on key staff and executives Risk that we cannot recruit the right talent for the Company to achieve its objectives.	▶ 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. ▶ We recruited a HR director whose 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.	◀▶
Product Liability 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.	▶ 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.	◀▶
Business Disruption Risks	Brexit may cause issues with supply chain, increase export and import prices, cause delays in selling/ purchasing goods. COVID-19 or similar pandemic disruption to business stopping us manufacture, sell and operate as usual.	▶ The Company property is well secured and we have taken reasonable steps to protect the contents. ▶ A disaster recovery plan has been developed. ▶ We monitor developments on an ongoing basis to allow the business to react when necessary. ▶ 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.	▲
Financial and Going Concern Risks	Risk that the Company does not have sufficient cashflow to meet its liabilities and is no longer a going concern. Risk that we do not have sufficient cashflow to seize opportunities and projects when they arise.	▶ The 2021 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 European distribution business (Albyn) is profitable and generates cash for the business. ▶ We are constantly talking to current and new investors about our commercial plan and opportunities and the funds those opportunities would require. ▶ Local and Group budgets are reviewed each month with a 5 year forecast every 6 months to ensure sufficient cashflow.	◀▶

The Strategic Report was approved by the Board of Directors on 22 May 2022 and was signed on its behalf by

Richard Rees
Chief Financial Officer
22 May 2022

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 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 2019 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 Corporation, Pentax Life Care Division. 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 and Korn Wall Limited (KwickScreen). In addition, Charles is the senior Independent Director of MJ Hudson Group plc and Chair of the Remuneration Committee and 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.

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. Prior to his retirement in July 2021, John was Chief Financial Officer of Syncona Investment Management Limited, the Investment Manager of Syncona Limited, a FTSE 250 listed life sciences investment company. John served as a Non-Executive Director and chair of the audit committee of AIM listed IXICO plc from October 2013 until April 2022.

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 and has extensive experience in corporate finance, having acted 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 Sustainability at Benchmark Holdings plc, an AIM listed aquaculture biotechnology company and a Non-Executive Director and Chair of the Remuneration Committee at Primary Health Properties plc.

In addition, Ivonne is a trustee of La Vida, a UK registered charity which supports grassroots projects in the fields of education, environment and health throughout Latin America.

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 2021. 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 with 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 Group results for the 12 months to 31 December 2021 are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on page 74.

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 Chief Executive's review on pages 8 to 9;
- The Chief Technology Officer's review on pages 30 to 31;
- The Chief Commercial Officer's review on pages 24 to 25;
- The Chairman's Statement on pages 36 to 37; and
- The Financial Review on pages 48 to 49,

each of which form part of the Strategic Report. This analysis includes a commentary 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 including steps being taken in respect of the Group's Build, Buy and Partner strategy, details of the commercial activities during the reporting period, details of the Group's activities in the field of research and development and the steps being taken to commercialise the technology being developed.

Directors

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

Executive Directors

- Craig Jonathan Gulliford
- Professor Christopher Paul Hancock
- Richard John Rees
- David Gerard Woods

Non-Executive Directors

- Charles Alexander Evan Spicer
- John Bradshaw
- Ivonne Maria Gloria Cantu

Directors' interests and indemnity arrangements

The Directors' interests in the shares of the Company are disclosed in the Remuneration Report on pages 64 to 67.

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 64 to 67.

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 on page 100.

As at 31 December 2021, 181,099,186 fully paid ordinary shares were in issue. The share capital comprises one class of ordinary shares and these are admitted on the AIM market of the London Stock Exchange.

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

Substantial holdings

As at 31 December 2021, shareholders holding more than 3% of the share capital of Creo Medical Group plc[1] were as follows:

Name of shareholder	Number of shares	Voting rights %
Canaccord Genuity	27,206,650	15.02
Baillie Gifford	13,341,456	7.37
Finance Wales Investments	12,776,727	7.06
Capital Group	11,533,623	6.37
Creo Medical Group EBT	10,000,000	5.52
M&G Investments	9,428,500	5.21
AXA Framlington Investment Managers	8,140,844	4.50
Hargreaves Lansdown, stockbrokers (EO)	5,926,345	3.27
Tellworth Investments	5,733,808	3.17

1. Information obtained from an analysis of Creo Medical's share register (dated 31 December 2021) undertaken on behalf of Creo Medical by Equiniti – RD:IR.

Save as referred to above, the Directors are not aware of any persons as at 31 December 2021 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 on pages 96 to 98. 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 they ought to have taken as a Director to make themself 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 Strategic Report on pages 20 to 21. Significant events which have occurred since the end of the financial year have been included in Note 28 of the consolidated financial statements on page 104.

Auditor

KPMG LLP ("KPMG") was reappointed as auditor at the last annual general meeting, in accordance with Section 489 of the Companies Act 2006. During July and August 2021, the Company undertook a competitive review and tender process for the auditing of its 2021 Annual Report. Following the conclusion of that process, and in accordance with its terms of reference, the Audit Committee of the Company recommended to the Board of the Company that PricewaterhouseCoopers LLP ("PwC") be appointed as auditors of the Group. PwC replaced KPMG LLP who had acted as Creo Medical Group plc's auditors since 2016. Accordingly, PwC replaced KPMG as auditors in August 2021.

By order of the Board

Richard Rees
Director

Creo House
Unit 2, Beaufort Park
Beaufort Park Way
Chepstow
Wales
NP16 5UH
22 May 2022

Statement of Directors' responsibilities in respect of the financial statements

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

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

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the Parent Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Parent Company will continue in business.

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

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

The Directors are responsible for the maintenance and integrity of the Parent Company's website. Legislation in the United Kingdom 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)*.

We have set out below a summary of how we endeavour to comply with the 10 principles of the Code taking into account the stage of development of the Company and the resources available to it. In addition to the Code, Creo also seeks guidance from its professional advisors including its solicitors, auditors brokers and NOMAD on recommended best practice for AIM companies.

The Board's role is to ensure that Creo is managed for the long-term benefit of all shareholders. Our corporate governance processes are designed to ensure control, reduce risk and enhance long-term value generation and underpin Creo's long-term objectives.

The Quoted Companies Alliance Corporate Governance Code

The Code is constructed around 10 principles and takes key elements of good governance and applies 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, bringing advanced energy to endoscopy. Our vision is to improve patient outcomes through the development and commercialisation of a suite of electrosurgical medical devices, each enabled by the CROMA Advanced Energy Platform.

CROMA is powered by Creo's Kamaptive full-spectrum adaptive technology to optimise surgical capability and patient outcomes. Kamaptive is a seamless, intuitive integration of multi-modal energy sources, optimised to dynamically adapt to patient tissue during procedures such as resection, dissection, coagulation and ablation of tissue. Kamaptive technology provides clinicians with increased flexibility, precision and controlled surgical solutions. CROMA currently delivers advanced bipolar radiofrequency ("RF") energy for precise localised cutting and focused high frequency microwave ("MW") energy for controlled coagulation and ablation via a single accessory port. This technology, combined with the Group's range of patented electrosurgical devices, is designed to provide clinicians with flexible, accurate and controlled clinical solutions. The Directors believe the Company's technology can impact the landscape of surgery and endoscopy by providing a safer, less-invasive and more cost-efficient option for procedures.

To achieve our vision, we:

- invest in developing and protecting our intellectual property portfolio. As at 31 December 2021 our portfolio comprised 376 granted patents and 870 pending applications;
- recruit staff with a strong pedigree from relevant commercial sectors; bring a depth of expertise spanning R&D, quality, regulatory approval, operations and commercialisation;
- invest in the development of our people by supporting ongoing academic qualifications and promote an entrepreneurial and collegiate working environment;
- identify and execute on focused accretive acquisitions to support and/or accelerate our overall objectives;
- nurture long-term strategic relationships with:
  - clinicians and key opinion leaders practicing in our fields of interest around the world;
  - distribution partners to give us scalable geographical reach into key markets where we do not have a direct presence;
  - commercial partners to allow us to strengthen our development and to exploit the potential of our Kamaptive technology; and
  - shareholders to ensure that we have access to the support and capital that we need to achieve our goals.

We face a number of challenges in the execution of our strategy, including:

- 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; and
- uncertainty that regulatory clearances for products will be obtained in a timely manner (if at all). To mitigate this, we employ a dedicated team focused on the regulatory requirements of products who provide the necessary documentation to support our regulatory applications.

COVID-19 has continued to impact all business globally during 2021. For Creo, elective procedures have continued to be delayed and whilst there has been some relaxation, worldwide travel restrictions and individual restrictions on travel 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 and integrating the acquisitions which we have been able to execute during this time.

Further detail on the principal risks and uncertainties are set out in more detail on pages 50 to 51.

Deliver growth continued

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 2021 we have continued to engage with our key 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

Creo's key stakeholders are our patients, our customers, our employees and workers, our business partners, suppliers, patients and doctors, the wider communities in which we operate and, of course, our shareholders.

ESG is at the heart of Creo and the Board takes into account wider stakeholder and social responsibilities when making its decisions. Creo is still in the early stages of its ESG journey and is committed to playing its part.

Pages 38 to 44 set out certain detail of how we have taken into account the needs of our wider stakeholders and how we step up to meet our social responsibilities.

Further examples of how we seek to meet this requirement of the Code is set out below:

- *Shareholders* – Whilst COVID-19 restrictions have limited our ability to meet shareholders in person, during 2021 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.
- *Employees* – During 2021 we have continued to grow organically and through acquisition. In line with government guidance, many of our employees continue to work from home, supported by the necessary technology which we have deployed to all employees to facilitate continued engagement, collaboration and to allow us to work as one team.
- *Business partners and suppliers* – Long-term success requires strong and equitable relationships. We seek to pay suppliers within agreed credit times and encourage all suppliers and business partners to meet and adhere to the high ethical standards that we seek to achieve.
- *Modern Slavery* – 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 an Anti-Bribery and Corruption policy which is communicated to all employees and training on which is provided. 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. In addition, we have implemented SOPs, policies, training and guidance to support Sunshine Act compliance through our US activities.
- *Compliance* – We have dedicated employees dealing with Health and Safety compliance. Further, our supply chain team work to ensure that compliance flows through our supply chain. The nature of our products requires Creo to operate in accordance with the ISO: 13485 standard and 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, our rigorous quality management system that is compliant with the ISO:13485 standard and which is externally audited;
- Operational, accounting and employment policies which are regularly reviewed and updated as appropriate;
- Clearly defined organisational and reporting structures 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 necessary flexibility to enable growth and the delivery of long-term shareholder value while having the correct checks and balances in place.

During 2021 Creo acquired Aber Electronics Limited ("Aber"). Benefiting from the integration work already performed following the acquisitions of Albyn Medical SL and Boucart Medical SRL in 2020, the Group is working to ensure that Aber has the same levels of governance as are in place throughout the Group.

Risk Register

The Company maintains a risk register which is reviewed regularly and which allows the Board to appraise external and internal threats to the business and to plan and mitigate accordingly. Further detail on the principal risks and uncertainties are set out in more detail on pages 50 to 51.

Intellectual property

The Company has worked with its patent agent, Mewburn Ellis, since 2003. Mewburn Ellis advises on Creo's 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.

Legal

Creo's General Counsel, supported by external advisors in relevant jurisdictions, assists the management team and wider employee bases and advises on legal aspects of the business. The General Counsel takes an active role in the management of the business to ensure that compliance is at the core of all that we do.

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 advisors 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 of 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 can be found on pages 54 to 55.

Executive Board Members

Craig Gulliford, Chief Executive Officer
Richard Rees, Chief Finance Officer
Prof. Christopher Hancock, Chief Technology Officer
David Woods, Chief Commercial Officer

Non-Executive Board Members

Charles Spicer, Independent Non-Executive Chairman
John Bradshaw, Senior Independent Non-Executive Director
Ivonne Cantu, Non-Executive Director

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. The Company's Articles of Association are available on our website. At our 2021 AGM, Craig Gulliford and Charles Spicer both stood for re-election. Both 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. The Board does not consider Charles's limited 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 pre-IPO share option scheme. The Board does not consider that John's limited share option holding to be significant and therefore consider 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. During the 12 months ending 31 December 2021, the Directors attended the following meetings:

Director	Scheduled Board Meetings	Ad hoc meetings*	Audit Committee	Remuneration Committee
Charles Spicer	4/4	13/13	5/5	2/3 (as an attendee)
John Bradshaw	4/4	11/13	5/5	3/3
Ivonne Cantu	4/4	11/13	5/5	3/3
Craig Gulliford	4/4	13/13	–	–
Richard Rees	4/4	13/13	–	–
Christopher Hancock	4/4	11/13	–	–
David Woods	4/4	11/13	–	–

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

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 situation or transactional conflict that are to be considered at the next Board meeting and, if considered appropriate, conflicts are authorised or Directors do not attend or participate in such discussions. 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, but is mindful of the need to continuously review the needs of the business to ensure that this remains true. Creo's 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. 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 are kept up to date on changes to the AIM rules briefings from 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 advisors.

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 discuss performance with members of the executive team which, in the Board's opinion, is sufficient for the Company's purposes currently. 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

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 a robust quality management system which is third-party audited to the ISO: 13485 standard. 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

As Chairman, Charles Spicer 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.

Craig Gulliford, Creo's 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, members of the Board regularly hold informal discussions with both Executive Directors and senior operational managers of the Company to discuss strategic business developments and other topics important to the Company's progress.

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 currently consists of three Non-Executive Directors. It is chaired by John Bradshaw and its other members are Charles Spicer and Ivonne Cantu, all of whom are independent Non-Executive Directors.

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:

John Bradshaw is a chartered accountant with more than 25 years' experience as a chief financial officer with venture capital backed and listed companies. Prior to his retirement in July 2021, John was Chief Financial Officer of Syncona Investment Management Limited, the Investment Manager of Syncona Limited, a FTSE 250 listed life sciences investment company.

Charles Spicer is a seasoned Non-Executive Chairman and Director, previously being Head of Healthcare Corporate Finance at both Numis Securities and Nomura International.

Ivonne Cantu has extensive experience in corporate finance, having acted 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 Sustainability at Benchmark Holdings plc.

The role and responsibilities of the Audit Committee are clearly defined in terms of reference which were last reviewed and updated on 5 May 2021. A copy of the terms of reference are available on our website at www.creomedical.com/investors/corporate-governance/ and on request from the Company Secretary.

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.

During 2021, the main items of business considered by the Audit Committee included:

- Review and recommend to the Board updates to the Audit Committee terms of reference
- Financial statements and Annual Report review
- Consideration and review of the external audit report and management representation letter
- Oversight of the audit tender process
- Review of the interim results
- Going concern assessment and review
- Review of the 2021 audit plan
- Risk management and internal control systems review
- Auditors' engagement and meetings (with and without executive representation present) to discuss the above

The Audit Committee's activities are reported at subsequent Board meetings and the minutes of each meeting are provided to all members of the Board.

The Company's Auditor has unrestricted access to the Chairman of the Audit Committee. The Chief Financial Officer and a representative of the Auditor of the Company are normally invited to attend meetings 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.

The Remuneration Committee determines, within the agreed terms of reference, the Company's policy on the remuneration packages 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 Chairman 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 were reviewed and updated on 5 May 2021.

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 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. During 2021, there were no incidents for consideration.

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. The Board reviewed detailed forecast cashflows which included plausible downside scenarios and made inquiries of management (see more on page 79). Following this, 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
For the year ended 31 December 2021

This report sets out details of the Directors' remuneration for 2021, our approach to pay and the activities of the Remuneration Committee during the year.

Business context

2021 was a year of significant strategic progress for the Group. The two acquisitions completed in 2020, Albyn Medical and Boucart Medical have been successfully integrated and delivered good results. This reflects the strong leadership across Creo and Albyn Medical, a good strategic and cultural fit, and a well executed integration plan. In addition, during the year the Company expanded its presence in the US, a key market for the Group, and entered into heads of terms with several parties to develop new applications and commercial channels for its Kamaptive technology, including robotically assisted surgery.

On the commercial front, the Group was significantly impacted by COVID-19, with healthcare systems across the world postponing elective procedures, training delayed and travel severely constrained. The commercial team led by David Woods focused its efforts on refining the Group's commercial strategy from lead generation to conversion and support. This included the development of training programmes, establishment of training centres and expansion of the Group's commercial network and geographic presence.

The Company made good progress in the area of ESG in line with its stated objectives at the beginning of the year see our ESG report on pages 38 to 44.

Executive Directors' pay for 2021

The Remuneration Committee approved a cash bonus for the Executive Directors representing 67% of the maximum payout reflecting the strategic progress made in the year, and delivery against commercial, financial and ESG targets. Long-term incentive award was made to the Executive Directors under the Company's JSOP arrangement equivalent to 67% of annual salary.No salary increases were implemented during the year.

Remuneration Committee membership and responsibilities

The composition of the Remuneration Committee during the year was:
- Ivonne Cantu (Chair)
- John Bradshaw

By invitation of the Committee, meetings are also attended by the CEO, CFO, the Company Chair, the General Counsel and the Global HR Director, who are consulted on matters discussed by the Committee, unless those matters relate to their own remuneration.

Catrin Asbrey joined Creo Medical as Global HR Director in September 2021. Catrin has 20 years' experience in Human Resources across the public and private sectors in a broad range of sectors. Initially her focus has been on the integration of Albyn Medical, the implementation of ESG policies and working with the Executive Directors on organisational design which is an important enabler of the Group's success as it grows and develops. During 2021 the Committee obtained an overview of the wider workforce remuneration and benefits policies to assist them in their consideration of appropriateness of remuneration packages of the Executive Directors.

The Company continues to seek professional, independent advice from FIT Remuneration Consultants LLP. FIT has no connection to the Company or its Directors other than in relation to advice provided to the Remuneration Committee.

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 45 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.

Salaries in FY2021 were £280,000 (Craig Gulliford), £210,000 (Professor Christopher Hancock), £210,000 (Richard Rees) and US$325,000 (David Woods). No salary increases were implemented in FY2021 for the Executive Directors and no salary increases were approved for FY2022. Across the Group salaries were increased in cases linked to increased responsibility or promotions or as part of a benchmarking exercise.

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, financial and ESG 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 FY2021 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, and shareholders. In this context, the Executive Directors' annual bonus was determined based on achievement against a set of objectives set out at the beginning of the year and the overall performance of the Group. Bonus payouts of 67% of the maximum were approved for all Executive Directors.

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 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 performance 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.

The JSOP plan implemented in FY2020 is currently intended to be the primary vehicle for making long-term incentive awards to the Executive Directors.

As part of the FY2021 remuneration, the Remuneration Committee approved an award under the JSOP for the Executive Directors equivalent to 67% 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.

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 for 2021 (audited)

The remuneration of the Board of Directors of Creo Medical Group plc during the 12-month period ending 31 December 2021 was:

(All figures £)	Salary	Taxable benefits	Pension	Annual bonus[1]	Share-based payments[2]	JSOP PAYE & NI Settlement[3]	12 months to 31 December 2021	12 months to 31 December 2020
Executive:								
Professor Christopher Hancock	**210,000**	**22,256**	**21,000**	**220,900**	**361,329**	**227,041**	**1,062,526**	737,500
Craig Gulliford	**280,000**	**22,114**	**28,000**	**292,601**	**392,826**	**174,031**	**1,189,572**	949,253
Richard Rees	**210,000**	**21,900**	**21,000**	**219,451**	**284,839**	**93,300**	**850,490**	727,712
David Woods	**237,854**	**32,043**	**11,893**	**274,070**	**83,970**	**–**	**639,830**	245,281
Total executive	**937,854**	**98,313**	**81,893**	**1,007,022**	**1,122,964**	**494,372**	**3,742,418**	2,659,746
Non-Executive:								
Charles Spicer	**86,000**	**–**	**–**	**–**	**–**	**–**	**86,000**	86,000
John Bradshaw	**56,000**	**–**	**–**	**–**	**–**	**–**	**56,000**	56,000
Ivonne Cantu	**56,000**	**–**	**–**	**–**	**–**	**–**	**56,000**	51,333
Total Non-Executive	**198,000**	**–**	**–**	**–**	**–**	**–**	**198,000**	193,333
Total Directors' remuneration	**1,135,854**	**98,313**	**81,893**	**1,007,022**	**1,122,964**	**494,372**	**3,940,418**	2,853,079

1. Annual bonus includes amounts of £140,700, £187,600 £140,700 and £159,362 respectively to Professor Christopher Hancock, Craig Gulliford, Richard Rees and David Woods for performance for the year ending 31 December 2021. This reflected the Remuneration Committee's assessment of performance versus the targets set at the beginning of the year. There was an element of deferred/contingent bonus which related to 2020 which was paid during the period which amounts to £80,200, £105,001, £78,751 and £90,494 respectively to Professor Christopher Hancock, Craig Gulliford, Richard Rees and David Woods. In addition, the figures include £24,214 to David Woods in relation to the final amount of his 2020 agreed bonus.
2. The share-based payment charge relates to share options issued by the Group. The charge for the year of £1,122,964 for Directors compares to the charge incurred by the Group in total for all employees and suppliers of £2,564,183. See note 8 to the accounts for more details.
3. The JSOP PAYE and NI settlement amount relates to payments by the Group to settle the NI and PAYE liability during the year on the JSOP shares on behalf of the directors.

Directors' shareholdings

The interests of the Directors holding office at 31 December 2021 in the shares of the Company, including family interests, were:

(All figures £)	31 December 2021 Number	31 December 2021 %
Executive:		
Professor Christopher Hancock	**4,400,098**	**2.43%**
Craig Gulliford	**611,386**	**0.34%**
Richard Rees	**1,500**	**0.00%**
David Woods	**25,000**	**0.01%**
Total executive	**5,037,984**	**2.78%**
Non-Executive:		
Charles Spicer	**127,976**	**0.07%**
John Bradshaw	**–**	**0.00%**
Ivonne Cantu	**–**	**0.00%**
Total Non-Executive	**127,976**	**0.07%**
Total Directors' shareholdings	**5,165,960**	**2.85%**

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 2021 were:

(All figures £)	31 December 2020 Number	Granted during year	Cancelled during year	Exercised during year	31 December 2021 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	268,293	153.75p
Professor Christopher Hancock	114,035	–	–	–	114,035	–	171.00p
Professor Christopher Hancock	1,419,959	–	1,419,959	–	–	–	0.01p
Professor Christopher Hancock	115,000	–	–	–	115,000	–	0.01p

	31 December 2020 Number	Granted during year	Cancelled during year	Exercised during year	31 December 2021 Number	Vested but unexercised	Exercise price
Professor Christopher Hancock	–	210,000*	–	–	210,000	–	0.01p
Professor Christopher Hancock	–	2,348,288*	–	–	2,348,288	–	0.01p
	3,698,651	2,558,288	1,419,959	–	4,836,980	2,049,657	
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	325,203	153.75p
Craig Gulliford	143,275	–	–	–	143,275	–	171.00p
Craig Gulliford	925,295	–	925,295	–	–	–	0.01p
Craig Gulliford	140,000	–	–	–	140,000	–	0.01p
Craig Gulliford	–	280,000*	–	–	280,000	–	0.01p
Craig Gulliford	–	1,553,658*	–	–	1,553,658	–	0.01p
	4,732,606	1,833,658	925,295	–	5,640,969	3,524,036	
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	268,293	153.75p
Richard Rees	114,035	–	–	–	114,035	–	171.00p
Richard Rees	426,876	–	426,876	–	–	–	0.01p
Richard Rees	115,000	–	–	–	115,000	–	0.01p
Richard Rees	–	210,000*	–	–	210,000	–	0.01p
Richard Rees	–	731,519*	–	–	731,519	–	0.01p
	2,515,119	941,519	426,876	–	3,029,762	1,859,208	
David Woods	–	130,208	–	–	130,208	–	0.01p
	–	130,208	–	–	130,208	–	
Total executive	**10,946,376**	**5,463,673**	**2,772,130**	**–**	**13,637,919**	**7,432,901**	
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	**11,170,744**	**5,463,673**	**2,772,130**	**–**	**13,862,287**	**7,657,269**	

* 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.

All share options are subject to employment conditions, those issued on or post admission at 76p, 113p, 153.75p, 171p and 0.01p are also subject to performance conditions.

During 2021 JSOP awards were granted to the Executive Directors over 5,463,673 ordinary shares. As part of these grants, 2,772,130 unapproved share options were cancelled, with the net grant of 2,691,543 ordinary shares representing approximately 1% of the enlarged issued share capital of the Company, details of which are set out on page 87 below and in Note 8 Share-based payments. The shares were issued as part of the anti-dilution agreements made as part of the December 2019 and September 2021 fund raises. The Company issued, 3,000,000 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.

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
22 May 2022

Enhanced global footprint and commercial progress

FINANCIAL STATEMENTS

Independent auditors' report to the members of Creo Medical Group plc

Report on the audit of the financial statements

Opinion

In our opinion:

- Creo Medical Group plc's group financial statements and parent company financial statements (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 2021 and of the group's loss and the group's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the Consolidated and Parent Company statements of financial position as at 31 December 2021; the Consolidated statement of profit or loss and other comprehensive income, the Consolidated and Parent Company statements of changes in equity and the Consolidated statement of cash flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

We have provided no non-audit services to the parent company or its controlled undertakings in the period under audit.

Our audit approach

Context

This is the first year of our audit. As a first year engagement, we have invested time during the planning phase in gaining an understanding of the business. We developed our audit plan, including the use of our component auditors, which was approved by the Audit Committee in advance of year end. We executed our audit in line with this plan with no changes required.

Overview

Audit scope

- The UK Group audit team has performed full scope audit work over the four largest entities whose accounting records are based in the UK i.e. Creo Medical Group Plc, Creo Medical Limited, Creo Medical Inc and Albyn Medical Limited.
- Albyn Medical SAS, Albyn Medical S.L and Boucart Medical SRL were audited by local PwC component teams in France, Spain and Belgium respectively.
- Specified procedures were also performed by the UK Group audit team over the remaining reporting units, not selected for full scope audits.
- Further audit procedures were carried out by the UK Group audit team over central functions, the group consolidation and consolidation journals.
- Our scoping resulted in coverage of 99.7% of the Group's revenue, 99.0% of the Group's net assets and 96.4% of the Group's loss before tax.

Key audit matters

- Goodwill impairment assessment (group).
- Recoverability of the Parent Company investment in subsidiaries (parent).

Materiality

- Overall group materiality: £1,459,000 based on 5% of Group's loss before tax.
- Overall parent company materiality: £600,000 based on 0.5% of the Parent Company's net assets.
- Performance materiality: £1,094,000 (group) and £450,000 (parent company).

The scope of our audit

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

Key audit matters

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

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

Key audit matter	How our audit addressed the key audit matter
Goodwill impairment assessment (group) As at 31st December 2021, the Consolidated statement of financial position includes £18.6m of goodwill (2020: £18.3m). In accordance with International Accounting standards, management has performed impairment reviews in relation to the goodwill held in the Group's cash generating units (CGUs). Management has prepared value in use calculations for each of the CGUs. The impairment reviews include significant estimates and judgements in respect of future growth rates, cash flows and discount rates. The sensitivity of these key assumptions is detailed in note 12, Intangible assets and goodwill.	As part of our assessment of the carrying value of goodwill we have: ▶ Held discussions with management to identify the key judgements and estimates in relation to the impairment assessments at the year end. ▶ Agreed the impairment models to the FY22 strategic plan and tested the mathematical accuracy of the model. ▶ Challenged management as to whether the forecast Revenues and EBITDA margins are reasonable by comparing them to historical trends and by considering the accuracy of management's forecasting in the past. ▶ Reviewed management's allocation to CGUs and agreed carrying values to underlying support. ▶ Understood management's consideration of wider risks including Covid-19. ▶ Challenged the key assumptions identified, including consideration of the impact of changes to these assumptions on headroom under different scenarios, such as restrictions to future growth levels and changes to discount rates. ▶ Used our in-house valuation experts to consider the appropriateness of the discount rate used in relation to the wider market and sector comparatives. Based on our audit work performed, we concur with the results of the impairment assessment performed. We consider that the carrying value of goodwill is materially correct and that the disclosures in the financial statements are appropriate.
Recoverability of the Parent Company investment in subsidiaries (parent) As at 31st December 2021, the Parent Company's statement of financial position includes investments of £26.8m (2020: £25.3m). In accordance with International Accounting standards, at the end of each reporting period management are required to assess whether there is any indication that the investment value may be impaired. Management has not identified any indicators of impairment during the year.	We have considered whether there are any indicators of impairment, including comparing to current market capitalisation. No indicators were identified. In order to support that there are no indicators present we have also obtained the relevant subsidiary cash flow forecasts that support the carrying value of the investment. We have challenged key inputs and assessed managements methodology as follows: ▶ Verifying the accuracy of the underlying calculations and agreeing cash flow forecasts to the FY22 strategic plan. ▶ Evaluating the appropriateness of forecast cash flows by understanding management's process for forecasting and examining support. ▶ Evaluating the appropriateness of projected growth rates and considered the impact of restrictions to future growth. ▶ Consideration of prior year and current performance in comparison to projected results. ▶ Considered sensitivity analysis to assess the impact of changes in key assumptions. ▶ Evaluated the appropriateness of the discount rate including comparison to the wider market. We consider the carrying value of investment in subsidiaries to be materially correct with no impairment being required.

How we tailored the audit scope

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

Of the Group's 11 reporting components, 2 are considered to be financially significant to the Group. 5 further components were selected for full scope audit work to ensure appropriate coverage over revenue and loss before tax. The Group engagement team also audited the Parent Company, which was scoped in accordance with the Company materiality.

Specified procedures were also performed by the UK Group audit team over the remaining reporting units, not selected for full scope audits.

Further audit procedures were carried out by the UK Group audit team over central functions, the group consolidation and consolidation journals.

Our scoping resulted in coverage of 99.7% of the Group's revenue, 99.0% of the Group's net assets and 96.4% of the Group's loss before tax.

Report on the audit of the financial statements

Materiality

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

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

	Financial statements – group	Financial statements – parent company
Overall materiality	£1,459,000.	£600,000.
How we determined it	5% of Group's loss before tax	0.5% of the Parent Company's net assets
Rationale for benchmark applied	Overall materiality is based on loss before tax. This is a primary measure used by shareholders and is a generally accepted auditing benchmark.	We determined materiality based on net assets (capped at 75% as part of group scoping), which is more applicable than a performance-related measure as the Parent Company is primarily a Holding company and therefore does not have any revenue.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was £330,000 to £1,150,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £1,094,000 for the group financial statements and £450,000 for the parent company financial statements.

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

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £73,000 (group audit) and £30,000 (parent company audit) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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

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

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

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

Reporting on other information

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

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

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

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

Strategic report and Directors' report

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

In light of the knowledge and understanding of the group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

In preparing the financial statements, the directors are responsible for assessing the group's and the 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 the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to AIM Listing Rules and employment legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as financial reporting regulations, tax legislation and Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of journal entries designed to increase revenue or to extract cash, together with the manipulation of accounting estimates which could be subject to management bias. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

- Confirmation and enquiry with management and those charged with governance over compliance with laws and regulations, including consideration of actual or potential litigation and claims.
- Reviewing board minutes for evidence of breaches of regulations or instances of actual or suspected fraud.
- Challenging assumptions made by management in its significant accounting estimates.
- Identifying and testing the validity of journal entries, in particular any journal entries posted with unusual account combinations.
- Designing audit procedures to incorporate unpredictability around the nature, extent and timing of our testing.
- Reviewing financial statement disclosures.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Jason Clarke (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff
23 May 2022

Consolidated statement of profit or loss and other comprehensive income
for the 12-month period ended 31 December 2021

(All figures £'000)	Note	31 December 2021	31 December 2020
Revenue	2	**25,161**	9,429
Cost of sales		**(13,576)**	(5,394)
Gross Profit		**11,585**	4,035
Other operating income	2	**52**	49
Administrative expenses		**(41,544)**	(27,568)
Operating loss		**(29,907)**	(23,484)
Finance expenses	9	**(463)**	(173)
Finance income	9	**31**	195
Loss before tax	3	**(30,339)**	(23,462)
Taxation	10	**5,744**	3,146
Loss for the year		**(24,595)**	(20,316)
Exchange loss on foreign subsidiary	21	**(1,896)**	(429)
Changes to the fair value of equity investments at fair value through other comprehensive income	18	**231**	–
Total comprehensive loss for the year		**(26,260)**	(20,745)
Loss per Share			
Basic and diluted (£)	11	**(0.15)**	(0.13)

The notes on pages 78 to 109 form part of the financial statements.

Consolidated statement of financial position
31 December 2021

(All figures £'000)	Note	As at 31 December 2021	As at 31 December 2020*
Assets			
Non-current assets			
Intangible assets	12	**8,692**	10,268
Goodwill	12	**18,563**	18,262
Investments	18	**1,733**	500
Property, plant and equipment	13	**8,603**	3,378
Deferred tax	16	**1,705**	474
Other assets	15	**146**	112
		39,442	32,994
Current assets			
Inventories	14	**8,504**	6,812
Trade and other receivables	15	**4,830**	4,593
Tax receivable	16	**4,299**	2,973
Cash and cash equivalents		**43,534**	45,092
		61,167	59,470
Total assets		**100,609**	92,464
Shareholder equity			
Called up share capital	21	**181**	158
Share premium	21	**149,448**	115,263
Merger reserve	21	**13,603**	13,603
Share option reserve	21	**7,940**	5,376
Foreign exchange reserve	21	**(2,325)**	(429)
Financial Assets at fair value through other comprehensive income	18	**231**	–
Accumulated losses	21	**(95,760)**	(71,165)
Total equity		**73,318**	62,806
Liabilities			
Non-current liabilities			
Interest-bearing liabilities	19	**5,175**	6,542
Other liabilities	17	**-**	1,873
Deferred tax liability	16	**1,786**	1,996
Provisions	20	**593**	1,219
		7,554	11,630
Current liabilities			
Interest-bearing liabilities	19	**3,705**	4,023
Trade and other payables	17	**9,921**	8,504
Non interest-bearing loans	17	**1,676**	1,790
Other liabilities	17	**4,221**	3,474
Provisions	20	**214**	237
		19,737	18,028
Total liabilities		**27,291**	29,658
Total equity and liabilities		**100,609**	92,464

* The prior year comparative has been restated. See Note 15 for more details.

These financial statements on pages 74 to 109 were approved by the Board of Directors on 22 May 2022 and were signed on its behalf by:

Richard Rees
Director

Company registered number: 10371794

The notes on pages 78 to 109 form part of the financial statements.

Consolidated statement of changes in equity
for the 12-month period ended 31 December 2021

(All figures £'000)	Note	Called up share capital	Accumulated losses	Share premium	Merger reserve	Share option reserve	Changes to the fair value of equity investments at fair value through other comprehensive income	Foreign Exchange Reserve	Total equity
Balance at 1 January 2019		120	(34,938)	65,836	13,603	3,093	–	–	47,714
Total comprehensive loss for the year									
Loss for the financial year		–	(15,911)	–	–	–	–	–	(15,911)
Total comprehensive loss		–	(15,911)	–	–	–	–	–	(15,911)
Transactions with owners, recorded directly in equity									
Issue of share capital		30	–	49,276	–	–	–	–	49,306
Equity settled share-based payment transactions	8	–	–	–	–	1,555	–	–	1,555
Balance at 31 December 2019		150	(50,849)	115,112	13,603	4,648	–	–	82,664
Total comprehensive loss for the year									
Loss for the financial year		–	(20,316)	–	–	–	–	–	(20,316)
Other comprehensive loss		–	–	–	–	–	–	(429)	(429)
Total comprehensive loss		–	(20,316)	–	–	–	–	(429)	(20,745)
Transactions with owners, recorded directly in equity									
Issue of share capital		8	–	152	–	–	–	–	160
Equity settled share-based payment transactions	8	–	–	–	–	728	–	–	728
Balance at 31 December 2020		158	(71,165)	115,264	13,603	5,376	–	(429)	62,807
Total comprehensive loss for the year									
Loss for the financial year		**–**	**(24,595)**	**–**	**–**	**–**	**–**	**–**	**(24,595)**
Other comprehensive loss		**–**	**–**	**–**	**–**	**–**	**231**	**(1,896)**	**(1,665)**
Total comprehensive loss		**–**	**(24,595)**	**–**	**–**	**–**	**231**	**(1,896)**	**(26,260)**
Transactions with owners, recorded directly in equity									
Issue of share capital		**23**	**–**	**34,184**	**–**	**–**	**–**	**–**	**34,207**
Equity settled share-based payment transactions	8	**–**	**–**	**–**	**–**	**2,564**	**–**	**–**	**2,564**
Balance at 31 December 2021		**181**	**(95,760)**	**149,448**	**13,603**	**7,940**	**231**	**(2,325)**	**73,318**

The notes on pages 78 to 109 form part of the financial statements.

Consolidated statement of cash flows
for the 12-month period ended 31 December 2021

(All figures £'000)	Note	31 December 2021	31 December 2020
Cash flows from operating activities			
Loss for the period		**(24,595)**	(20,316)
Depreciation/amortisation charges		**2,562**	1,596
Equity settled share-based payment expenses	8	**2,564**	728
Fair value adjustment to derivatives		**100**	–
Finance expenses	9	**463**	173
Finance income	9	**(31)**	(195)
R&D expenditure credit		**–**	(2)
Taxation	10	**(5,744)**	(3,146)
Impairment of intangible assets	12	**–**	141
		(24,681)	(21,021)
(Increase)/decrease in inventories		**(2,967)**	767
Increase in trade and other receivables		**(3,170)**	(394)
Increase in trade and other payables		**1,875**	1,686
		(28,943)	(18,962)
Interest paid	9	**(463)**	(173)
Tax paid		**–**	153
Tax received		**3,395**	2,702
Net cash used in operating activities		**(26,011)**	(16,280)
Cash flows from investing activities			
Purchase of intangible fixed assets	12	**(146)**	(91)
Purchase of tangible fixed assets	13	**(5,976)**	(485)
Acquisition of subsidiary net of cash acquired	23	**(1,752)**	(20,586)
Interest received	9	**31**	195
Net cash used in investing activities		**(7,843)**	(20,967)
Cash flows from financing activities			
Capital repaid in respect of loans	18	**(1,844)**	(497)
Proceeds of new loan	18	**144**	2,055
Capital repaid in respect of lease liabilities	18	**(515)**	(391)
Share issue	22	**34,208**	159
Net cash generated from financing activities		**31,993**	1,326
(Decrease) in cash and cash equivalents		**(1,861)**	(35,921)
Effect of exchange rates in cash held		**303**	(35)
Cash and cash equivalents at beginning of the year		**45,092**	81,048
Cash and cash equivalents at end of the year		**43,534**	45,092

The notes on pages 78 to 109 form part of 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 UK-adopted international accounting standards ("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 UK-adopted international accounting standards ("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 fifth 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. All accounting policies, other than new policies have been applied consistently throughout the year.

This financial report for the 12-month period ended 31 December 2021 (including comparatives for the 12 months ended 31 December 2020) was approved by the Board of Directors on 22 May 2022.

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 2021:

- Amendments to IFRS 9, IAS 9, IFRS 7, IFRS 4 and IFRS 16 relating to Interest Rate Benchmark Reform – Phase 2.
- 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 are not yet effective and therefore have not been applied in preparing these consolidated financial statements:

- 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 and equity investments are stated at their fair value.

Business combinations and basis of consolidation

On 12 November 2021 Creo Medical Limited purchased Aber Electronics Limited becoming its Parent Company, with Creo Medical Group plc becoming the ultimate parent company, 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 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.

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. This is the case for the acquisition of Albyn Medical S.L. in 2020.

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

At the year ended 31 December 2021 the Group made a total comprehensive loss of £26.3m had cash and cash equivalents of £43.5m with net assets of £73.3m. 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. These scenarios include sensitivity analysis to delay future growth. 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.

The Group completed a £34.3m fund raising with existing and new investors in September 2021, significantly strengthening the balance sheet with £43.5m in cash as at 31 December 2021.

The Directors have prepared forecasts which show under current business plans, the Group's cash resources will extend at least 12 months from the date of approval of the financial statements.

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.

Intangible assets

Intangible assets include the capitalisation of development costs and software for the period ending 31 December 2021.

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

1. ACCOUNTING POLICIES continued

Property, plant and equipment ("PPE")

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:

Freehold land	– not depreciated
Buildings	– 40 years straight line
Leasehold property improvements	– 3 or 5 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
Demo equipment	– 3 years straight line

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, country lease entered into 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.

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.

1. ACCOUNTING POLICIES continued

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 translation reserve, 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.

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.

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.

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.

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).

1. ACCOUNTING POLICIES continued

Type of product/service	Nature and timing of satisfaction of performance obligations, including significant payments terms	Revenue recognition policies
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.
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.

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.

Costs relating to the development of our initial Slypseal, Microblate and Spydrblade devices of £1.0m were expensed during the period.

No further development of these original products has been undertaken with an emphasis on developing the later versions of these devices. 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. Creo Medical UK Limited (formally AMLTD acquired in 2020) is forecast to make profits over the medium term and these profits would be available for Group relief. Therefore we have recognised a tax asset in relation to element of profit expected to be earned in that entity.

Forecasts for Creo Medical Limited continue to show tax losses for at least the medium term (to four 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 further 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 any further deferred tax asset to be recognised.

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 principle.

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.

Cancellation of Share Options

During the year Tranche 13a was cancelled with new awards being issued under Tranche 18. Management determined the Tranche 13 shares to have been cancelled rather than modified, with the total charge incurred at the point of cancellation being the total charge should the cancellation not have occurred. Currently this is estimated to be £206k, however if an exit event were to occur then the accelerated charge would be approximately £6.5m. If management had treated this as a modification then the current charge of £23k with an accelerated charge of £4.5m if there was an exit event.

2. REVENUE AND OTHER OPERATING INCOME

The revenue split between the Group for 2021 was as follows:

(All figures £'000)	12 months to 31 December 2021	12 months to 31 December 2020
Creo Europe	**24,849**	9,397
Creo Core Products	**312**	32
Total	**25,161**	9,429

Creo core product revenue is revenues from the sale of its suite of devices and the CROMA platform.

Creo Europe sales are sales of all other products within Europe.

At 31 December 2021 the Group had no unsatisfied or partially unsatisfied performance obligations under IFRS 15 (2020: £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 Group has started the process of integrating the previous Albyn and Boucart brands into the Creo brand and offering customers our full suite of products. As such the Group is still operating in a single 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 £52k (2020: £49k).

3. LOSS BEFORE TAX

The loss before income tax is stated after charging:

(All figures £'000)	12 months to 31 December 2021	12 months to 31 December 2020
Depreciation – owned assets	**782**	582
Depreciation – assets on hire purchase contracts	**–**	36
Depreciation – right of use assets	**651**	321
Amortisation	**1,129**	658
Impairment of Intangible Assets	**–**	141
Research and development expenditure	**12,869**	10,193

4. AUDIT AND NON-AUDIT FEES

An analysis of auditors' remuneration is as follows:

(All figures £'000)	31 December 2021	31 December 2020
Audit of Parent Company and Consolidation	**120**	45
Audit of Group subsidiaries	**136**	126
Audit fees	**256**	171
Audit-related assurance services (interim review)	**9**	9
Non-audit fees	**9**	9

5. STAFF NUMBERS AND COSTS

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

(All figures £'000)	12 months to 31 December 2021	12 months to 31 December 2020
Wages and salaries	**16,122**	10,007
Social security costs	**2,530**	1,229
Other pension costs	**742**	566
Share-based payments	**2,564**	728
Total remuneration	**21,958**	12,530

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

(All numbers)	12 months to 31 December 2021	12 months to 31 December 2020
The average monthly number of employees during the period was as follows;		
Research and development	**184**	54
Administration	**55**	17
	239	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 £'000)	12 months to 31 December 2021	12 months to 31 December 2020
Directors' remuneration	**2,735**	2,376
Pension	**82**	73
Share-based payments expensed	**1,123**	404
Total Directors' remuneration	**3,940**	2,853

Directors' emoluments disclosed above, including the fair value for share-based payment expenses, paid to the highest paid Director in the period was £1,190k (31 December 2020: £949k) including pension contributions of £28k. The share options exercised in the period by the highest paid Director was £nil (31 December 2020: £nil). There were Company pension contributions of £82k made to defined contribution schemes during the current period (31 December 2020: £73k). No shares were received or receivable for any Director in respect of long-term incentive schemes. No shares options were exercised by the Directors during the year. Total number of Directors in the pension scheme at 31 December 2021 was 4.

7. RESEARCH AND DEVELOPMENT EXPENDITURE

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

8. SHARE-BASED PAYMENTS

At 31 December 2021 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	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	0.0001 to1.71	0.86 to 1.69	10 years
14	18 February 2020	490,000	Non market and market based performance conditions	0.0001	0.51	10 years
15	23 July 2020	725,369	Continual service of employment over 3 years	2.01	1.18	10 years
16	04 & 27 January 2021	1,117,837	Continual service of employment over 3 years and non market based performance conditions	0.0001 to 1.92	0.97 to 2.17	10 years
17	14 June 2021	928,164	Non market and market based performance conditions	0.0001 to 2.06	0.81-1.84	10 years
18	23 November 2021	4,633,465	Market based performance conditions	0.0001	1.41	10 years
		28,759,595				

Share option activity for the period ended 31 December 2021 and 31 December 2020 is presented below:

	31 December 2021		31 December 2020	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at start of period as previously stated	**15,187,115**	**£0.66**	14,519,776	£0.61
Granted during the period	**6,679,466**	**£0.22**	1,215,369	£1.20
Granted during the prior period	**100,000**	**£1.71**	–	£0.00
Forfeited during the prior period	**(78,947)**	**£0.80**	–	£0.00
Forfeited during the period	**(104,858)**	**£1.58**	–	£0.00
Cancelled during the period	**(2,772,130)**	**£0.01**	(35,607)	£1.54
Exercised during the period	**(247,209)**	**£0.28**	(512,423)	£0.30
Outstanding at end of period	**18,763,437**	**£0.60**	15,187,115	£0.66
Exercisable at end of period	**10,318,487**	**£0.74**	8,997,828	£0.60
Weighted average remaining contractual life (in years) of options outstanding at the period end	**–**	**7.1**	–	7.1

8. SHARE-BASED PAYMENTS continued

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 2021	31 December 2020
Exercise price	**0.0001 - 2.06**	0.0001 – 2.01
Share price at date of grant	**1.52 - 2.17**	1.73 – 2.05
Risk-free interest rate	**0.1% - 0.1%**	0.1% – 0.75%
Expected volatility	**32% - 49%**	33% – 50%
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.

The weighted average share price of the shares exercised during the year was £1.65.

(All figures £'000)	31 December 2021	31 December 2020
Expense arising from share-based payment transactions	**2,564**	728

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 £'000)	31 December 2021	31 December 2020
Professor Christopher Hancock	**361**	131
Craig Gulliford	**393**	152
Richard Rees	**285**	121
David Woods	**84**	–
	1,123	404

During the year the Group implemented a SIP scheme for all UK employees. The shares purchased/issued during the year under the scheme are as follows:

(All figures exact numbers)	2021
Total shares in SIP scheme at 1 January	**–**
Partnership shares purchased	**78,226**
Matching shares issued	**61,612**
Total Shares in SIP scheme at 31 December	**139,838**

Matching shares for the additional partnership shares purchased under the SIP scheme in December 2021 were not issued until after the year end.

9. FINANCE EXPENSES AND FINANCE INCOME

(All figures £'000)	12 months to 31 December 2021	12 months to 31 December 2020
Finance income:		
Bank interest	**31**	178
Fair value adjustment for derivatives	**–**	17
Total finance income	**31**	195
Finance costs:		
Bank interest	**183**	60
Interest expense on lease liabilities	**26**	11
Fair value adjustment for derivatives	**100**	–
Unwind of the discount on lease liabilities	**28**	26
Unwind of the discount on deferred and contingent liabilities	**126**	76
Total finance costs	**463**	173

10. TAXATION

Recognised in the income statement:

(All figures £'000s)	Note	12 months to 31 December 2021	12 months to 31 December 2020
Current tax:			
Current year		**(3,879)**	(3,241)
Adjustments for prior years		**(100)**	–
Foreign tax:		**161**	41
Current tax credit		**(3,818)**	(3,200)
Deferred tax:			
Origination and reversal of temporary timing differences	16	**(1,926)**	54
Total tax credit		**(5,744)**	(3,146)

Reconciliation of effective tax rate:

(All figures £'000s)	12 months to 31 December 2021	12 months to 31 December 2020
Loss for the period	**(24,595)**	(20,316)
Total credit	**(5,744)**	(3,146)
Loss excluding taxation	**(30,339)**	(23,462)
Tax using the UK corporation tax rate of 19% (2020: 19%)	**(5,764)**	(4,458)
Research and development	**(2,180)**	(1,475)
Movement in deferred tax not provided	**3,314**	2,692
Non-deductible expenses	**87**	161
Equity-settled share-based payments	**240**	(136)
Different tax rates applied in overseas tax jurisdictions	**139**	70
Losses Utilised	**163**	–
Fixed Asset differences	**16**	–
Deferred tax asset recognised in the period	**(1,659)**	–
Adjustment for prior years	**(100)**	–
Total tax credit	**(5,744)**	(3,146)

The Group has submitted R&D tax relief claims under the small or medium-sized enterprises ("SME") scheme and £4,299k (2020: £3,345k) 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 £nil (2020: £1,839) has been accounted for 'above the line' as a reduction from the related expenditure in the statement of comprehensive income.

11. LOSS PER SHARE

Loss 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.

	12 months to 31 December 2021	12 months to 31 December 2020
Loss		
Loss attributable to equity holders of Company (basic) (£)	**(24,594,919)**	(20,315,725)
Shares (number)		
Weighted average number of ordinary shares in issue during the period	**164,433,455**	155,797,600
Loss per share		
Basic and diluted (£)	**(0.15)**	(0.13)
Ordinary shares start of year (number)	**157,891,181**	150,378,758
Issued in year		
Issue 1 – Ordinary	**49,209**	26,316
Issued with months remaining	**8**	11
Issue 2 – Ordinary	**3,000,000**	114,947
Issued with months remaining	**6**	10
Issue 3 – Ordinary	**61,612**	7,000,000
Issued with months remaining	**5**	9
Issue 4 – Ordinary	**19,899,184**	72,000
Issued with months remaining	**3**	4
Issue 5 – Ordinary	**108,000**	299,160
Issued with months remaining	**1**	1
Issue 6 – Ordinary	**90,000**	–
Issued with months remaining	**–**	–
Closing ordinary shares	**181,099,186**	157,891,181
Average ordinary shares	**164,433,455**	155,797,600
Basic EPS	**(0.15)**	(0.13)

12. INTANGIBLE ASSETS AND GOODWILL

(All figures £'000s)	Goodwill	Trade name	Customer relationships	Supplier relationships	Development costs capitalisation	Computer software	Assets under construction	Total
Cost:								
At 1 January 2020	–	–	–	–	150	231	572	953
Additions	–	–	–	–	–	23	69	92
Acquired on business combination	18,546	1,269	1,182	7,808	–	–	–	28,805
Transferred	–	–	–	–	500	92	(592)	–
Effect of movements in exchange rate	(284)	(20)	(21)	(109)	–	–	–	(434)
At 31 December 2020	18,262	1,249	1,161	7,699	650	346	49	29,416
Accumulated amortisation and impairment:								
At 1 January 2020	–	–	–	–	30	58	–	88
Charge for period	–	48	48	278	130	153	–	657
Impairment	–	–	–	–	–	93	49	142
At 31 December 2020	–	48	48	278	160	304	49	887
Net book value at 31 December 2020	18,262	1,201	1,113	7,421	490	42	–	28,529

(All figures £'000s)	Goodwill	Trade name	Customer relationships	Supplier relationships	Development costs capitalisation	Computer software	Assets under construction	Total
Cost:								
At 1 January 2021	**18,262**	**1,249**	**1,161**	**7,699**	**650**	**346**	**49**	**29,416**
Additions	**–**	**–**	**–**	**–**	**–**	**146**	**–**	**146**
Acquired on business combination	**1,467**	**–**	**–**	**–**	**–**	**–**	**–**	**1,467**
Effect of movements in exchange rate	**(1,166)**	**(80)**	**(74)**	**(491)**	**–**	**–**	**–**	**(1,811)**
At 31 December 2021	**18,563**	**1,169**	**1,087**	**7,208**	**650**	**492**	**49**	**29,218**
Accumulated amortisation and impairment:								
At 1 January 2021	**–**	**48**	**48**	**278**	**160**	**304**	**49**	**887**
Charge for period	**–**	**120**	**112**	**742**	**130**	**24**	**–**	**1,128**
Effect of movements in exchange rate	**–**	**(7)**	**(6)**	**(39)**	**–**	**–**	**–**	**(52)**
At 31 December 2021	**–**	**161**	**154**	**981**	**290**	**328**	**49**	**1,963**
Net book value at 31 December 2021	**18,563**	**1,008**	**933**	**6,227**	**360**	**164**	**–**	**27,255**

The amortisation of intangibles has been charged to administrative expenses in the Consolidated Statement of Comprehensive Income.

The supplier relationship intangible arose on the acquisitions of Albyn and Boucart. The remaining amortisation period of the Albyn supplier relationships is 103 months and the remaining amortisation period for the Boucart supplier relationships is 106 months.

Capitalised development costs

No assets have been transferred from assets under construction during the year. No development costs were capitalised during the year (31 December 2020: £nil).

Assets under construction

There were no assets under construction in the year (31 December 2020: £69k).

Impairment of intangible assets

An impairment review of intangibles was carried out including consideration of potential climate related risks on the longer-term intangibles including trade name, supplier relationships and customer relationships. No impairment to intangible assets were recognised during the year.

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 £'000)	31 December 2021	31 December 2020
Albyn Group of CGUs	**15,136**	16,170
Boucart single CGU	**1,959**	2,092
Aber single CGU	**1,467**	–
	18,563	18,262

Due to the close proximity of the Aber 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 Aber.

12. INTANGIBLE ASSETS AND GOODWILL continued

Albyn Goodwill Assumptions

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	10.9%
Terminal value growth rate	2%
Budgeted revenue growth rate (average of next 5 years)	4%

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.

We considered potential future impacts from climate change in the future and the impact these could have on the carrying value of each CGU in the Group. Although a formal scenario planning has not yet been finalised we did not identify any indicators which we consider would have a material impact on the assessment of the value in use of the CGU.

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.

Boucart Goodwill Assumptions

Goodwill arising on acquisition of Boucart has been allocated to a single CGU. 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	10.5%
Terminal value growth rate	2%
Budgeted revenue growth rate (average of next 5 years)	4%

The discount rate has been calculated based on the weighted average cost of capital for Boucart, 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.

We considered potential future impacts from climate change in the future and the impact these could have on the carrying value of the CGU. Although a formal scenario planning has not yet been finalised we did not identify any indicators which we consider would have a material impact on the assessment of the value in use of the CGU.

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 CGU would result in an impairment.

13. PROPERTY, PLANT AND EQUIPMENT

(All figures £'000)	Land & Buildings	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 2020	–	569	620	–	10	891	241	–	471	2,802
Acquired in business combination	–	86	282	270	403	165	–	655	1,308	3,169
Additions	–	42	44	–	93	224	29	53	803	1,288
Transferred	–	–	127	–	–	114	(241)	–	–	–
Disposals	–	–	(54)	(86)	–	–	–	–	–	(140)
Exchange rate movements	–	(2)	(5)	(5)	(7)	(3)	–	(12)	(116)	(150)
At 31 December 2020	–	695	1,014	179	499	1,391	29	696	2,466	6,969
Accumulated Depreciation:										
At 1 January 2020	–	243	484	–	10	615	–	–	154	1,506
Acquired in business combination	–	83	187	202	240	146	–	427	–	1,285
Charge for period	–	131	137	3	41	258	–	48	321	939
Disposals	–	–	(53)	(86)	–	–	–	–	–	(139)
At 31 December 2020	–	457	755	119	291	1,019	–	475	475	3,591
Net book value at 31 December 2020	–	238	259	60	208	372	29	221	1,991	3,378
Cost:										
At 1 January 2021	**–**	**695**	**1,014**	**179**	**499**	**1,391**	**29**	**696**	**2,466**	**6,969**
Acquired in business combination	**–**	**–**	**–**	**81**	**–**	**21**	**–**	**–**	**52**	**154**
Additions	**4,507**	**41**	**347**	**4**	**36**	**823**	**145**	**73**	**844**	**6,820**
Transferred	**–**	**29**	**–**	**–**	**–**	**–**	**(29)**	**–**	**–**	**–**
Disposals	**–**	**–**	**–**	**–**	**(22)**	**–**	**–**	**(1)**	**(134)**	**(157)**
Exchange rate movements	**–**	**(25)**	**125**	**3**	**(27)**	**(86)**	**–**	**(48)**	**(103)**	**(161)**
At 31 December 2021	**4,507**	**740**	**1,486**	**267**	**486**	**2,149**	**145**	**720**	**3,125**	**13,625**
Accumulated Depreciation:										
At 1 January 2021	**–**	**457**	**755**	**119**	**291**	**1,019**	**–**	**475**	**475**	**3,591**
Acquired in business combination	**–**	**–**	**–**	**48**	**–**	**12**	**–**	**–**	**–**	**60**
Charge for period	**52**	**126**	**191**	**10**	**44**	**236**	**–**	**123**	**651**	**1,433**
Disposals	**–**	**–**	**–**	**–**	**(12)**	**–**	**–**	**(1)**	**(28)**	**(41)**
Exchange rate movements	**–**	**1**	**27**	**7**	**22**	**(8)**	**–**	**(62)**	**(8)**	**(21)**
At 31 December 2021	**52**	**584**	**973**	**184**	**345**	**1,259**	**–**	**535**	**1,090**	**5,022**
Net book value at 31 December 2021	**4,455**	**156**	**513**	**83**	**141**	**890**	**145**	**185**	**2,035**	**8,603**

The Group purchased the Freehold land and buildings at the Chepstow site from their current Lessor in addition to the building opposite for £4.25m. The right of use asset of £134k which we previously recognised has been disposed of with the land and buildings recognised as their own assets on the register. The buildings are depreciated over 40 years on a straight line basis and the freehold land will not be depreciated.

At 31 December 2021, the net carrying amount of leased equipment was £53k (2020: £73k).

The Group acquired assets in a business combination of £92k during the year.

Assets under construction for the year of £145k (2020: £29k) relate to leasehold improvements in our additional building at the Chepstow site.

14. INVENTORIES

(All figures £'000)	31 December 2021	31 December 2020
Raw materials & consumables	**2,188**	1,044
Finished goods	**6,316**	5,768
Total inventories	**8,504**	6,812

These carrying values are stated net of impairment provisions of £2,285k (2020: £1,552k). Inventories of £732k (2020: £430k) 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 £'000)	31 December 2021	Restated* 31 December 2020
Current:		
Trade Receivables	**3,876**	4,237
Accrued other income	**66**	35
Other debtors	**518**	88
Prepayments	**370**	233
Total current	**4,830**	4,593
Non-current:		
Other debtors	**146**	112
Total trade and other receivables	**4,976**	4,705

* In the prior year the element of contingent consideration deemed to be remuneration under IFRS 3 was recognised as a liability on the balance sheet. As the expense is required to be spread over the life of the employment a corresponding asset was also created with an amount released each month to the P&L. We no longer consider it appropriate to recognise an asset on the balance sheet in relation to this transaction. We have therefore restated the prior year balances to reduce the asset by £1,039k and have reduced our liability for the same amount, see note 17. The prior year amount was £1,128k. There is no impact on the balance sheet at the start of the comparative period (01 January 2020). We will accrue the liability in line with the employment contract until it expires.

An expected credit loss provision of £505k (2020: £337k) in relation to trade debtors has been booked during the year. Specific impairments of £118k were recognised during the year (2020: £110k). 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 25% (2020: 19%).

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

(All figures £'000s)	31 December 2021	31 December 2020
Movement:		
At 1 January	**1,522**	–
Deferred Tax Asset Recognised	**(1,632)**	–
Tax charge recognised in profit and loss	**(420)**	54
	(530)	54
Acquisition of subsidiaries	**–**	1,452
Losses utilised in year	**745**	–
Exchange rate movements	**(134)**	16
At 31 December	**81**	1,522

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 £'000s)	31 December 2021	31 December 2020
Balances:		
Accelerated capital allowances	**-**	150
Intangible assets	**2,069**	2,554
Pension accruals and other temporary timing differences	**(283)**	(364)
Tax losses offset (see below)	**(1,705)**	(818)
	81	1,522

(All figures £'000s)	31 December 2021	31 December 2020
Balances:		
Deferred tax asset	**(1,705)**	(474)
Deferred tax liability	**1,786**	1,996
Net Deferred Tax liability	**81**	1,522

There are unused trading losses at 31 December 2021 of approximately £46.4m (31 December 2020: £52.7m). A deferred tax asset of £0.75m has been recognised in relation to these losses as Group believe they will be able to offset future profits from Creo Medical UK Limited over the next 2 years. A remaining deferred tax asset of approximately £9.8m (31 December 2020: £9.8m) has not been recognised in respect of these tax losses due to uncertainty in respect of its recoverability. A deferred tax asset of approximately £2.7m 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.

Tax receivables at 31 December 2021 of £4.3m (31 December 2020: £3.0m) relate mainly 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 £'000)	31 December 2021	Restated* 31 December 2020
Current:		
Trade payables	**3,538**	2,459
Social security and other taxes	**470**	295
VAT payable	**-**	161
Other payables	**1,099**	1,852
Accrued expenses	**4,714**	3,737
Derivative Liability	**100**	–
PPE Loan	**1,676**	1,790
Deferred and Contingent Consideration	**4,221**	3,474
Total current	**15,818**	13,767
Non-current:		
Deferred and Contingent Consideration	**-**	1,873
Total trade and other payables	**15,818**	15,641

* Current deferred and contingent consideration has been restated by £593k from £4,068k to £3,474k and non-current deferred and contingent consideration has been restated by £446k from £2,318k to £1,873k. See note 15.

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 repaid 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 2021 the Group had €1.6m 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 2021 the Group has deferred consideration in relation to the Albyn Medical acquisition in 2020 of £2.0m. £1.1m of deferred consideration was paid to the previous owners of Boucart during the year.

A contingent consideration liability of £1.7m has been recognised in the financial statements in relation to the acquisition of Albyn Medical SL in 2020. The Group considered it probable that the targets will be achieved and the provision will be paid in full.

A contingent consideration liability of £0.4m has been recognised in the financial statements in relation to the acquisition of Boucart Medial SRL in 2020. The Group considered it probable that the targets will be achieved and the provision will be paid in full.

18. FINANCIAL INSTRUMENTS

Carrying amount of financial instruments

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

(All figures £'000)	31 December 2021	31 December 2020
Investments:		
I.Q. Endoscopes	**1,733**	500
Foreign currency forward contracts:		
Assets	**–**	–
Liabilities	**(100)**	–

Reconciliation to cashflow movements

	Gross Loan	Lease Liabilities
01 January 2021	**8,554**	2,011
Assumed in business combinations	**44**	–
Additions	**100**	868
Cashflow Principals	**(1,844)**	(515)
Cashflow Interest	**(92)**	–
Non-cash Changes Interest*	**60**	40
Non-cash Changes FX	**–**	(348)
31 December 2021	**6,822**	2,056

* 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. The value of forward contracts in place as at 31 December 2021 was £100k liability (2020 £nil).

Financial risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The main purpose of the Company's financial instruments is to finance the Company's operations. The financial instruments comprise 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.

The entity made an additional investment in I.Q. Endoscopes during the year for £1,002k to retain its stake in the company. The investment was made on 4 October 2021. The investment was fair valued at 31 December 2021.

(Amounts in £'000s)	
Carrying Value as at 1 January 2021	**500**
Additional Investment	**1,002**
Fair Value Gain through OCI	**231**
31 December 2021	**1,733**

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. As the investment was made close to the year end we consider the fair value per share at the time of investment to be representative of the fair value of the shares at 31 December 2021.

(Amounts in £'000s)	
Shares owned 1 January 2021	**3,411**
Additional shares acquired during the year	**4,148**
Fair Value per share	**£229**
Fair Value of investment	**£1,733**
Cost of initial investments	**(£1,502)**
Gain through OCI	**£231**

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.

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. The credit risk in the period has not significantly increased.

Trade Receivables and contract assets

The carrying amounts of financial assets and contract assets represent the maximum credit exposure. As at 31 December 2021 no investments in debt securities or other contract assets were held and receivables from customers were £4,499k (2020: £4,573k).

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.

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 from individual customers as at 31 December 2021.

(All figures £'000)	Weighted Average Loss	Gross Carrying Amount	Loss Allowance
Current (not past due)	2%	2,980	72
0-60 days	10%	691	66
61-120 days	19%	410	78
121-180 days	32%	190	61
More than 180 days past due	100%	228	228
		4,499	505

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 ageing of the receivable. At 31 December 2021 the ECL for trade receivables was £505k (2020: £337k).

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

(All figures £'000)	2021	2020
Balance at 1 January	**(447)**	–
Loss allowance movement	**(58)**	(337)
Specific amounts provided for	**(118)**	(110)
Balance at 31 December	**(623)**	(447)

Specific amounts of £118k (2020: £110k) were provided for in the year relate to the specific customer debts which we deem to be credit impaired.

18. FINANCIAL INSTRUMENTS continued

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 £'000)		31 December 2021	31 December 2020
Current:			
Lease liabilities	26	**670**	624
Bank credit facilities		**1,647**	1,546
Bank Loans		**1,388**	1,853
		3,705	4,023
Non-current:			
Lease liabilities	26	**1,386**	1,387
Bank Loan		**1,649**	3,075
Commercial Loan		**2,140**	2,080
		5,175	6,542
		8,880	10,565
Lease liabilities are payable as follows:			
Less than one year		**670**	624
Between one and five years		**1,340**	1,235
More than five years		**46**	152
		2,056	2,011
Bank borrowings are payable as follows:			
Less than one year		**3,035**	3,399
Between one and five years		**3,789**	5,155
More than five years		**-**	–
		6,824	8,554
		8,880	10,565

The terms and conditions of outstanding loans are as follows:

(All figures £'000)	Currency	Nominal interest rate	Year of maturity	31 December 2021 Face Value	31 December 2021 Carrying Value	31 December 2020 Face Value	31 December 2020 Carrying Value
Secured Bank Loan	EUR	EURIBOR+2%	2022	**84**	**15**	89	34
Secured Bank Loan	EUR	EURIBOR+2,5%	2023	**168**	**59**	179	93
Secured Bank Loan	EUR	EURIBOR+2%	2022	**67**	**12**	72	27
Secured Bank Loan	EUR	EURIBOR+2%	2022	**17**	**3**	18	7
Secured Bank Loan	EUR	EURIBOR+2%	2023	**34**	**11**	36	18
Secured Bank Loan	EUR	EURIBOR+2%	2023	**134**	**47**	143	74
Secured Bank Loan	EUR	2%	2023	**168**	**60**	179	95
Secured Bank Loan	EUR	EURIBOR+2%	2022	**84**	**15**	89	34
Secured Bank Loan	EUR	EURIBOR+2%	2023	**168**	**58**	179	92
Secured Bank Loan	EUR	EURIBOR+1%	2023	**126**	**50**	134	81
Secured Bank Loan	EUR	EURIBOR+1%	2023	**126**	**51**	134	82
Secured Bank Loan	EUR	EURIBOR+1%	2023	**126**	**51**	134	81
Secured Bank Loan	EUR	EURIBOR+1%	2023	**126**	**50**	134	81
Unsecured Bank Loan	EUR	EURIBOR+2%	2023	**503**	**217**	537	339
Unsecured Bank Loan	EUR	2%	2022	**101**	**17**	107	46
Unsecured Bank Loan	EUR	EURIBOR+2%	2023	**503**	**215**	537	329
Unsecured Bank Loan	EUR	1%	2025	**293**	**193**	313	267
Unsecured Bank Loan	EUR	2%	2022	**101**	**17**	107	46
Unsecured Bank Loan	EUR	EURIBOR+2%	2023	**503**	**208**	537	326
Unsecured Bank Loan	EUR	2%	2023	**335**	**151**	358	280
Unsecured Bank Loan	EUR	EURIBOR+1,9%	2022	**101**	**19**	107	48
Unsecured Bank Loan	EUR	3%	2022	**251**	**43**	268	107
Unsecured Bank Loan	EUR	2%	2023	**503**	**208**	537	330
Unsecured Bank Loan	EUR	1%	2023	**168**	**71**	179	135
Unsecured Bank Loan	EUR	1%	2025	**335**	**257**	358	346
Unsecured Bank Loan	EUR	2%	2025	**335**	**260**	358	347
Unsecured Bank Loan	EUR	2%	2025	**335**	**260**	358	347
Unsecured Bank Loan	EUR	EURIBOR+1,75%	2025	**335**	**265**	358	352
Unsecured Bank Loan	EUR	0.44%	2021	**84**	**–**	89	30
Unsecured Bank Loan	EUR	0.44%	2022	**84**	**28**	–	–
Unsecured Bank Loan	EUR	0.44%	2022	**84**	**84**	–	–
Unsecured Bank Loan	EUR	0.87%	2021	**28**	**–**	29	15
Unsecured Bank Loan	EUR	0.46%	2021	**71**	**–**	76	76
Unsecured Bank Loan	EUR	0.50%	2021	**20**	**–**	21	21
Unsecured Bank Loan	GBP	2.50%	2026	**50**	**44**	–	–
Unsecured Bank Loan	GBP	2.80%	2021	**342**	**–**	342	342
Commercial Loan	GBP	5%	2025	**2,055**	**2,140**	2,055	2,080
Short-term Credit with Banks	EUR	1.45-1.75%	2021	**1,760**	**1,645**	1,620	1,546
Lease Liabilities	EUR	1.5%-4%	2021–26	**1,658**	**1,223**	1,771	1,575
Lease Liabilities	GBP	2.8%-5%	2021–24	**729**	**833**	729	436
Total interest bearing liabilities				**13,095**	**8,880**	13,271	10,565

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 £2,055k 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 £'000)	Warranties	Dilapidations	Legal & Tax	Other	Total
At 1 January 2021	**89**	**459**	**761**	**149**	**1,458**
Provisions made in the year	**7**	**172**	**–**	**2**	**181**
Provisions used in the year	**(7)**	**(221)**	**(578)**	**(26)**	**(832)**
At 31 December 2021	**89**	**410**	**183**	**125**	**807**
Non Current	**–**	**410**	**183**	**–**	**593**
Current	**89**	**–**	**–**	**125**	**214**
	89	**410**	**183**	**125**	**807**

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 £92k 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 £'000)	31 December 2021	31 December 2020
Balance at start of period	**158**	150
Issue of share capital		
Number of shares	**23,208,005**	7,512,423
Price per share (£)	**0.001**	0.001
Share value (£'000)	**23**	8
Balance at 31 December	**181**	158

During the period 247,209 share options were exercised, with 3,000,000 shares being issued to an Employee Benefit Trust and 61,612 to the SIP. A further 19,899,184 shares were issued as part of the capital raise during the year. The total number of issues in the period was 23,208,005 £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 2021 181,099,186 shares have been issued, each with the nominal value of £0.001 equalling a share capital for the Company of £181,100. All ordinary shares rank as pari passu with regards to voting, dividends and rights on winding up. All shares are fully paid.

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 Group.

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.

Investment reserve
Any loss or gain on our equity investments which we have elected to revalue through OCI is held in the investment reserve. This reserve will never be recognised as a profit or loss even upon disposal of the investment. The reserve may be transferred to retained earnings one the investment is disposed of.

22. CASH FROM SHARE ISSUE

(All figures £'000)	31 December 2021	31 December 2020
Share issue:		
Share options exercised	**68**	152
Issued to EBT Trust	**3**	7
Issued to SIP	**1**	–
Share placing AIM 7 September 2021	**36,316**	–
Transaction costs AIM 7 September 2021	**(2,180)**	–
	34,208	159

23. ACQUISITION OF SUBSIDIARY
Acquisition of Aber Electronics Limited
On 11 November 2021, the Group acquired 100% of the shares and voting interests in Aber Electronics Limited.

Included in the identifiable assets and liabilities acquired at the date of acquisition of Aber are inputs (a warehouse, inventories) 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.

Aber are the supplier and developer of key components for the CROMA Advanced Energy Platform. Acquiring Aber enables the Group to mitigate potential supply chain risks, control costs of the key components and ensure the timely development of the next generation Platform. The acquisition is also expected to provide positive cashflows for the Group.

For the seven weeks ended 31 December 2021, Aber contributed revenue of £82k and profit of £14k to the Group's results. If the acquisition had occurred on 1 January 2021, management estimates that revenue would have been £650k, and profit for the year would have been £84k. 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 2021.

A. Consideration transferred
The following table summarises the acquisition date fair value of each major class of consideration transferred.

(All figures £'000)	
Cash	
Equity Instruments	1,412
Settlement of pre-existing relationship	380
Total Consideration Transferred	1,792

i) Equity instruments issued
The fair value of the ordinary shares issued by Aber Electronics Limited at 11 November 2021 was £17,920 per share.

ii) Contingent consideration
The Group has agreed to pay the previous Directors of the company consideration of £1.2m if Aber delivers as set number of components within a specified timeframe and key development milestones are met over the next 3 years.

Per IFRS 3 requirements this is required to be treated as remuneration. The liability will increase as milestones are met over the life of employment with the amount being charge to the P&L. As at 31 December 2021 the P&L charge was £68k.

B. Acquisition-related costs
The Group incurred acquisition-related costs of £35k on legal fees and due diligence costs. These costs have been included in 'administrative expenses'.

23. ACQUISITION OF SUBSIDIARY continued

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. These numbers are provisional as we have the option to update within 12 months if new information becomes available.

(All figures £'000)	
Property, plant and equipment	92
Inventories	308
Trade receivables	118
Cash and cash equivalents	39
Loans and borrowings	(47)
Social Security & other taxes	(64)
Trade and other payables	(121)
Total identifiable net assets acquired	325

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	We did not identify any intangibles which could be separated from goodwill and therefore no intangible assets were valued.
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.

D. Goodwill

Goodwill arising from the acquisition has been recognised as follows.

(All figures £'000)	
Consideration transferred	1,792
Fair value of identifiable Assets	(325)
Goodwill	1,467

24. RELATED PARTY DISCLOSURES

As at 31 December 2021 the Directors of the Company control 2.85% 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

Monkey Business Consultants S.L. is a company owned and managed by Luis Collantes the CEO of the previous Albyn group and holds the remaining 5% of shares in the Company which will be purchased in 2022. For accounting purposes it is assumed the Group has 100% control. See accounting policy in Note 1.

During the period total payments in the ordinary course of business to Monkey Business Consultants, S.L. consisted of £nil (2020: £11k).

Total remuneration to Luis Collantes in the period was £364k (2020: £254k).

During the period the Group invested a further £1,001,709 in I.Q. Endoscopes in preference shares. As at 31 December 2021 the total fair value of the shares was estimated to be £1,733,073. The Group controls 16.7% of the Company and is not deemed to have significant influence, therefore it has not been classified as an associate.

Ling Chen is the common law spouse of Christopher Hancock. The fees paid in the period to Ling Chen totalled £23k (2020: £23k) for consultation on the research and development projects throughout the year, with the balance payable at 31 December 2021 being £nil.

Aggregate remuneration for the period for all key management totalled £4,603k (31 December 2020: £3,279k).

(All figures £'000)	12 months to 31 December 2021	12 months to 31 December 2020
Salary and other taxable benefits	**3,100**	2,668
Pension	**82**	73
SBP	**1,421**	537
	4,603	3,278

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, US, Singapore, France, Spain, Germany and Belgium. The leases typically run for a period of 3 to 10 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 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 1 to 5 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.

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.

2021 All figures £'000	Land and buildings	Plant and machinery	Motor Vehicles	Total
Balance at 1 January	**1,620**	**136**	**235**	**1,991**
Depreciation Charge	**(506)**	**(37)**	**(108)**	**(651)**
Additions to right of use assets	**847**	**–**	**–**	**847**
Disposals of right of use assets	**(103)**	**–**	**–**	**(103)**
Exchange difference	**(26)**	**(8)**	**(15)**	**(49)**
Balance at 31 December	**1,832**	**91**	**112**	**2,035**

26. LEASES continued

ii) Lease liabilities

Maturity Analysis – contractual discounted cash flows (All figures £'000)	
Less than one year	**(670)**
One to five years	**(1,340)**
More than five years	**(46)**
Total discounted lease liabilities at 31 December	**(2,056)**
Lease liabilities included in the statement of financial position at 31 December	**(2,056)**
Current	**(670)**
Non-current	**(1,386)**
	(2,056)

iii) Amounts recognised in profit or loss

2021 – Leases under IFRS 16 All figures £'000	
Depreciation on right of use asset	**651**
Interest on lease liabilities	**54**
Expenses relating to short-term leases	**–**
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 2021 no lease extension is expected to be taken by the Group.

27. CAPITAL COMMITMENTS

The amounts contracted for but not provided for as at 31 December 2021 are £nil (31 December 2020: £nil).

28. SUBSEQUENT EVENTS

Heads of Terms signed

The Company has entered into non-binding heads of terms (the "HoTs") with a number of parties which relate to the licensing of the Company's SpydrBlade, Cool Plasma and MicroBlate technologies. As outlined previously, Creo is developing its business through a three tiered Build, Buy and Partner strategy. Having already demonstrated execution on the Build and Buy elements, the Partner strategy aims to create shareholder value through granting third-party access to Creo's advanced energy technology in markets adjacent to those where the Company is already operating. This includes fields such as laparoscopic surgery, robotically assisted surgery, and non-thermal plasma sterilisation.

Parent Company statement of financial position

(All figures £'000)	Note	As at 31 December 2021	As at 31 December 2020*
Assets			
Non-current assets			
Investments in subsidiaries	31	**26,791**	25,265
Property, plant and equipment	32	**4,563**	–
Investments		**1,733**	500
Other assets	33	**89,131**	58,963
		122,218	84,728
Current assets			
Trade and other receivables	33	**80**	443
Cash and cash equivalents		**37,321**	37,571
		37,401	38,014
Total assets		**159,619**	122,742
Liabilities			
Current Liabilities			
Trade and other payables	34	**3,911**	2,000
Non-Current Liabilities			
Other liabilities	34	**-**	1,446
Total Liabilities		**3,911**	3,446
Shareholders' equity			
Called up share capital	21	**181**	158
Share premium		**149,448**	115,263
Financial Assets at fair value through other comprehensive income		**231**	–
Share option reserve		**7,182**	4,617
Accumulated losses		**(1,334)**	(742)
		155,708	119,296
Total equity and liabilities		**159,619**	122,742

* The prior year comparative has been restated to show the split between non-current and current liabilities. The trade and other receivables and trade and other payables for the prior year have also been restated. See Note 34 for more details.

The Company has taken the s408 exemption from presenting a separate profit and loss for the period.

These financial statements on pages 111 to 115 were approved by the Board of Directors on 22 May 2022 and were signed on its behalf by:

Richard Rees
Director

Company registered number: 10371794

Parent Company statement of changes in equity

(All figures £'000)	Note	Called up share capital	Accumulated losses	Share premium	Financial Assets at fair value through other comprehensive income	Share option reserve	Total equity
Balance at 1 January 2020		150	(2,217)	115,112	–	3,889	116,934
Total comprehensive income for the year							
Profit for the financial year		–	1,475	–	–	–	1,475
Other comprehensive income		–	–	–	–	–	–
Total comprehensive income		–	1,475	–	–	–	1,475
Transactions with owners, recorded directly in equity							
Issue of share capital		8	–	152	–	–	160
Equity settled share-based payment transactions	8	–	–	–	–	728	728
Balance at 31 December 2020		158	(742)	115,264	–	4,617	119,297
Total comprehensive expense for the year							
Profit for the financial year		**–**	**(592)**	**–**	**–**	**–**	**(592)**
Other comprehensive income		**–**	**–**	**–**	**231**	**–**	**231**
Total comprehensive expense		**–**	**(592)**	**–**	**231**	**–**	**(361)**
Transactions with owners, recorded directly in equity							
Issue of share capital		**23**	**–**	**34,184**	**–**	**–**	**34,207**
Equity settled share-based payment transactions	**8**	**–**	**–**	**–**	**–**	**2,565**	**2,565**
Balance at 31 December 2021		**181**	**(1,334)**	**149,448**	**231**	**7,182**	**155,708**

Parent Company notes 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 loss for the period ended 31 December 2021 is £592k (2020: profit £1,475k).

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"). In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of UK-adopted international accounting standards ("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;
- Comparative period reconciliations for PPE;
- 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 £'000)	Investment in subsidiary companies
Cost:	
As at 1 January 2018	1
Capital Contribution	642
As at 31 December 2018	643
Capital Contribution	658
As at 31 December 2019	1,301
Capital Contribution	324
Albyn Acquisition	23,640
As at 31 December 2020	25,265
Capital Contribution	1,526
As at 31 December 2021	**26,791**

31. INVESTMENTS continued

The Company has the following investments in subsidiary companies:

Subsidiary	Domicile	Status	Registered Office address	Class of shares held	Ownership	Ownership Type
Creo Medical Limited	UK	Trading	Creo House, Unit 2 Beaufort Park, Beaufort Park Way, Chepstow, Wales NP16 5UH	Ordinary	100%	Direct
Creo Medical, Inc.	US	Trading	100 Reserve Road, Suite B400, Danbury, CT 06810, USA	Ordinary	100%	Indirect**
Creo Medical Innovations Limited	UK	Trading	Creo House, Unit 2 Beaufort Park, Beaufort Park Way, Chepstow, Wales NP16 5UH	Ordinary	100%	Indirect**
Creo Medical Ireland Limited	Ireland	Dormant	70 Sir John Rogerson's Quay, Dublin 2, Ireland	Ordinary	100%	Indirect**
Creo Medical PTY	Australia	Dormant	Colin Biggers & Paisley Level 42 2 Park Street Sydney, NSW 2000	Ordinary	100%	Indirect**
Creo Medical PTE Ltd	Singapore	Dormant	20A Tanjong Pagar Road, Singapore (088443)	Ordinary	100%	Indirect**
Creo Medical SL (formerly Albyn Medical SL)	Spain	Trading	Cordovilla (Nevarra), Poligno Industrial Cordovilla, calle D, Munero 1	Ordinary	100%*	Direct
Creo Medical SAS (formerly Albyn Medical SAS)	France	Trading	9 Avenue Jean Prouve, 88100 Sain-des-Vosges	Ordinary	100%*	Indirect**
Creo Medical UK Limited (formerly Albyn Medical Limited)	UK	Trading	Kintail House, Beechwood Park, Inverness IV2 3WB	Ordinary	100%*	Indirect**
Premier Endoscopy	UK	Dormant	Creo House, Unit 2 Beaufort Park, Beaufort Park Way, Chepstow, Wales NP16 5UH	Ordinary	100%*	Indirect**
Creo Medical GmbH (formerly Endo-Technik Wolfgang Griest GmbH)#	Germany	Trading	Vertrieb und Handelmit medizinischen Geraten, Langenfeld	Ordinary	100%*	Indirect**
Wiest Uropower Limited	Germany	Trading	Creo House, Unit 2 Beaufort Park, Beaufort Park Way, Chepstow, Wales NP16 5UH	Ordinary	100%*	Indirect**
Boucart Medical SRL	Belgium	Trading	1070 Anderlecht, rue des Vétérinaires 42, Belgium	Ordinary	100%	Indirect**
Aber Electronics Limited	UK	Trading	Creo House, Unit 2 Beaufort Park, Beaufort Park Way, Chepstow, Wales NP16 5UH	Ordinary	100%	Indirect**

* Monkey Business Consulting SL retained 10% of the shares in Albyn as at 31 December 2021. A further 5% of the shares were purchased by the Company in March 2022. The Group has an obligation to purchase the remaining 5% of shares by the end of 2023. For accounting purposes it is assumed the Group has 100% control see accounting policy in Note 1.

** Creo Medical Limited holds 100% of the shares in these entities.

*** Creo Medical SL holds 100% of the shares in these entities.

During the year Endo-Technik and Pauldrach merged to become Creo Medical GmbH.

Creo Medical Innovations Limited (Company registration number: 11196260), Aber Electronics Limited (Company registration number:07400511), Wiest Uropower Limited (Company registration number 05781601) and Creo Medical UK Limited (Company registration number: SC128038) 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 FIXED ASSETS

(All figures £'000)	Land & Buildings	Assets under Construction	Total
Cost:			
At 1 January 2021	–	–	–
Additions	4,507	108	4,615
At 31 December 2021	4,507	108	4,615
Accumulated Depreciation:			
At 1 January 2021	–	–	–
Charge for period	52	–	52
At 31 December 2021	52	–	52
Net book value at 31 December 2021	4,455	108	4,563

Assets under construction in the period relate to the improvements to the additional building purchased opposite of Creo House at Chepstow.

33. PARENT COMPANY TRADE AND OTHER RECEIVABLES

(All figures £'000)	31 December 2021	Restated* 31 December 2020
Current:		
Other debtors	**19**	7
Social security and other taxes	**20**	434
Prepayments	**41**	1
Total current	**80**	442
Non-current:		
Amount owed by subsidiary undertaking	**89,131**	58,963
Total non-current	**89,131**	58,963
Total trade and other receivables	**89,211**	59,405

* Other debtors in the prior year was £1,047k before restatement. See Note 15 for restatement of prior year debtor and creditor balances.

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.

34. PARENT COMPANY TRADE AND PAYABLES

(All figures £'000)	31 December 2021	Restated* 31 December 2020
Current:		
Derivatives	**100**	–
Other creditors	**3,811**	2,000
Total current	**3,911**	2,000
Non-current:		
Other creditors	**-**	1,446
Total trade and other payables	**3,911**	3,446

* Prior year other creditors have been restated by £1,039k from £4,485k to £3,446k. See note 15 for restatement of prior year debtor and creditor balances. In the Parent company, prior to this restatement there was an error in the classification between non-current and current liabilities of the other creditors line in relation to this element of contingent consideration recognised as a liability in the prior year. Therefore the restatement is split between current other creditors which have been reduced by £2,485k from £4,486k to £2,000k and non-current other creditors which have been increased by £1,446k from £nil to £1,446k.

Notes

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CREO MEDICAL

Anything is possible with the right approach

Creo Medical Group plc
Creo House
Unit 2, Beaufort Park
Beaufort Park Way
Chepstow
Wales NP16 5UH
United Kingdom

Tel: +44 (0) 1291 606005
Email: info@creomedical.com
www.creomedical.com