CREO MEDICAL

2022 Annual Report

Anything is Possible
with the Right Approach

Creo Medical is a medical device company focused on the development and commercialisation of minimally invasive electrosurgical devices, **bringing advanced energy to endoscopy.**

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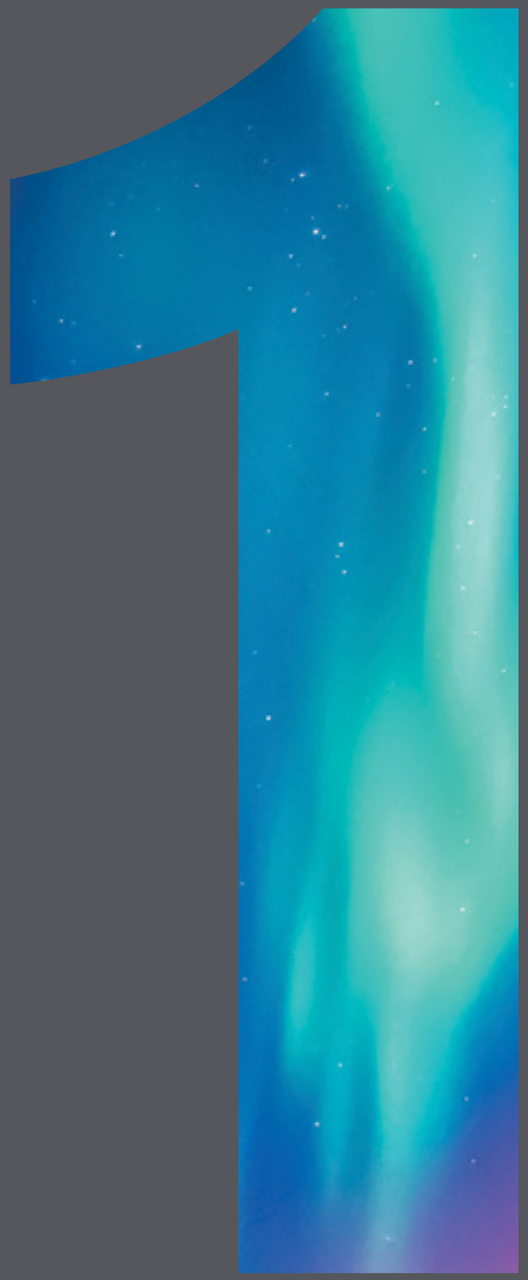
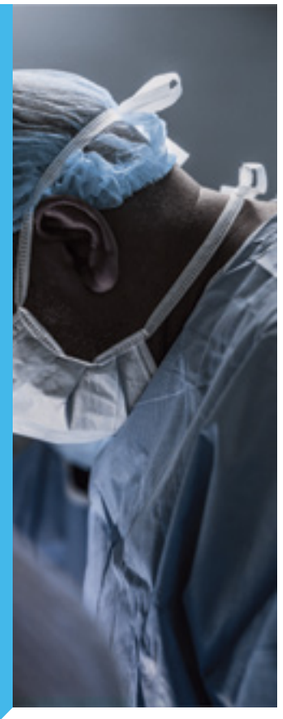


Strategic Report

CLINICAL CASE STUDIES

Learn how Speedboat Inject is improving lives

SCAN THE QR CODE TO READ OUR CASE STUDIES



Introduction

Transforming Surgery, Transforming Energy, Transforming Lives

Creo Medical is a UK based medical device and advanced energy company, transforming lives by delivering pioneering solutions to healthcare providers across the world.

The Company 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 develop some form of cancer in their lifetime. We will all likely know someone who will be or has been impacted in some way. These diseases can be treated using advanced energy, with potentially huge impact for both patients and their loved ones. 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.

Our Products

Creo Medical has developed a suite of unique endoscopic devices (see pages 24 and 25). When combined with the CROMA advanced energy platform, the Kamaptive Technology enables a broad spectrum of energies to be utilised. It is this unique combination that puts us at the forefront of a paradigm shift in the treatment of an increasing number of indications, particularly in the GI tract, pancreas, liver and lung. Creo is now able to complement these devices with a broader range of Endotherapy products, which are available to our EMEA and US customers.

In addition to endoscopic products manufactured by Creo, we have begun to work with leaders from other sectors (particularly robotic surgery) through our Kamaptive Licensing Programme in order to ensure that the benefits of our advanced energy technology are maximised, both in aiding the treatment of more patients and indications worldwide and in generating income from multiple high-growth markets.

Our Kamaptive Licensing Programme has had a successful year with income already generated and with our team working extremely positively with others.

Our Stakeholders

In pursuing our mission 'to improve patient outcomes', a number of stakeholders directly or indirectly benefit from our technologies:

Patients

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

Healthcare Professionals

- Minimally invasive treatment
- Reduced risks associated with surgical procedures
- Removal of lesions en-bloc (in one) for improved histology and lower recurrence rates
- Streamlined training curve

Hospitals

- Reduced procedure costs
- Reduced procedure time and fewer follow up appointments
- Reduced waiting times
- Improved patient pathways
- QALY (Quality Adjusted Life Years) value added

Transforming Lives, Case by Case

Creo's products are in everyday use by some of the world's best physicians and healthcare institutions, particularly our flagship device, Speedboat Inject, which is providing excellent outcomes and for which we have a growing pipeline of physicians globally.

We employ a wide range of experts spanning all Company departments

- Engineering and R&D teams.
- Enhanced manufacturing capabilities optimised for growth.
- Excellently connected sales teams and bespoke direct and indirect distribution networks across territories.
- A world-class Pioneer Clinical Education Programme tailored to the needs of our customers and their patients.
- Global business support functions to continue to build the Creo brand globally.

With our Kamaptive Licensing Programme also coming to fruition, it is clear 2022 was a year of great progress for Creo. Having established a presence across the US, Europe and APAC, the foundations are laid for rapid growth, not only for Speedboat Inject but across our portfolio.

References

1. https://www.nhs.uk/conditions/cancer/
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 Achievements

Commercial and Operational Highlights

Threefold increase in revenue generated from Creo's core technology

- Over 1,500 Speedboat Inject procedures performed to date with the device now in everyday use
- 124% increase in global cases
- 200% increase in trainers vs 2021 on our Pioneer Clinical Education Programme
- Announced first Kamaptive partnership with the world's biggest robotics company, Intuitive Surgical, and first revenues received
- Announced non-exclusive IP licence and a royalty agreement with CMR Surgical, the global surgical robotics business
- Launched our wider suite of Endotherapy products in the US
- Strengthened IP portfolio with 460 granted patents and 901 pending applications as at 31st December 2022
- Speedboat Inject introduced to new markets, with rapid adoption in Thailand, Israel, Hong Kong, Singapore and elsewhere
- New clinical market penetration with Speedboat Inject used to perform multiple POEM procedures, including gastric peroral endoscopic myotomy ("G-POEM") and Zenkers peroral endoscopic myotomy ("Z-POEM") in the US and APAC and a Gastrointestinal Stromal Tumor ("GIST") procedure in EMEA
- Slimmer Speedboat Inject released to market, opening new opportunities
- Expanded Creo's Pioneer Clinical Education Programme, facilitating both multi-national and bespoke regional training across the globe
- Fit-out of new Chepstow office to future-proof HQ and increase manufacturing, operational and training capacity
- Microblate Fine used to treat patients in Europe

Financial Highlights as of 31st December 2022

Revenue

£27.2m

(2021: £25.2m)

Operating Loss

£30.8m

(2021: £29.9m)

Underlying EBITDA loss*

£22.1m

(2021: £22.6m)

Gross Margin

48.3%

(2021: 46.0%)

Net Assets

£49.4m

(2021: £73.3m)

Post balance sheet event

£34m

(Oversubscribed Fundraise - March 2023)

Kamaptive Licensing Programme

First Revenues

Cash & Cash Equivalents

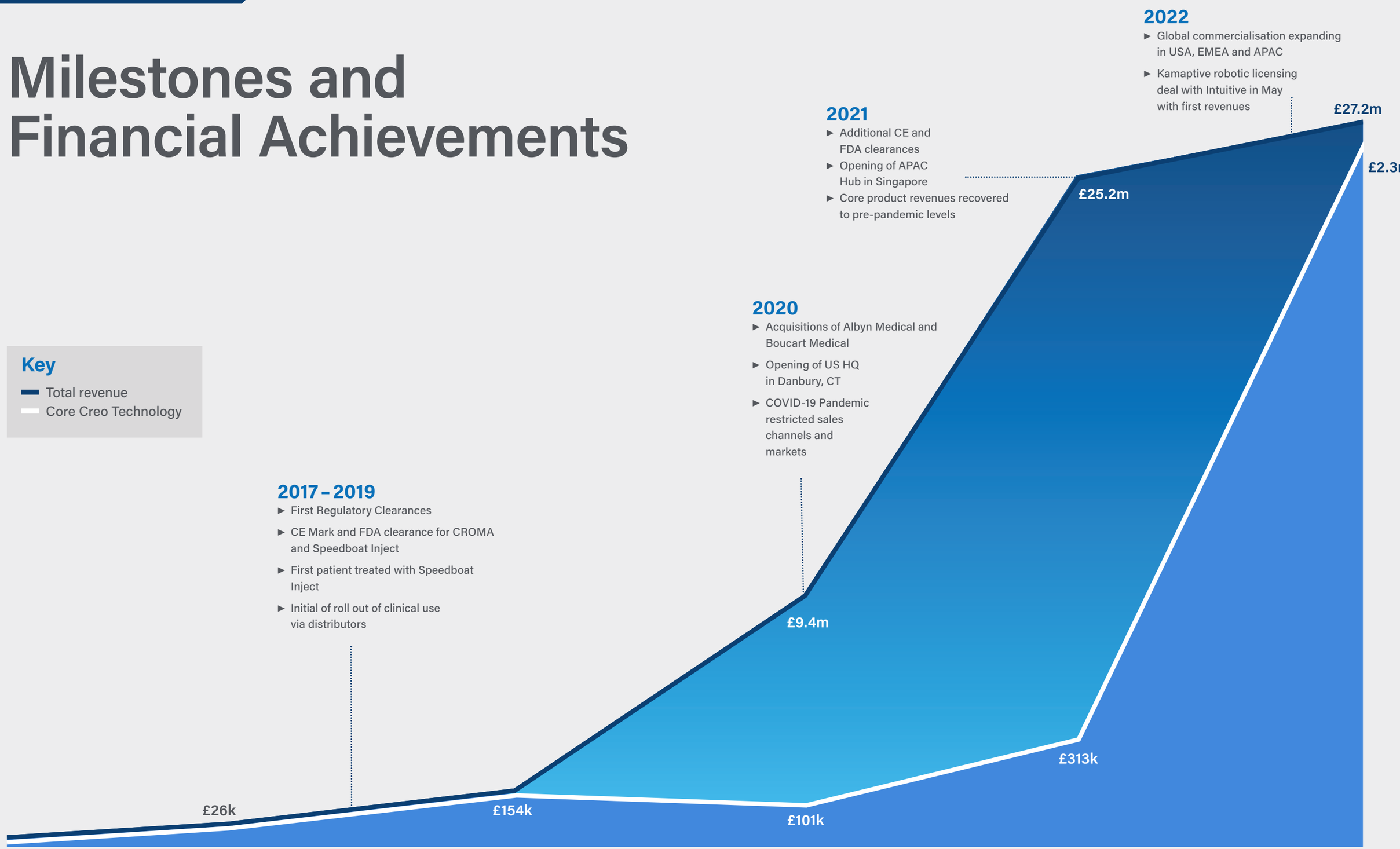
£13.1m

(2021: £43.5m)

* Underlying EBITDA is defined on page 63

Timeline

Milestones and Financial Achievements



CEO's Review

2022 was an inflection point for Creo

"A year of significant operational progress and commercial traction cementing our technology at the forefront of a paradigm shift in patient treatment."

—Craig Gulliford, Chief Executive

During 2022 we have moved quickly and decisively to build on the strong global foundations laid over the last few years. This resulted in: a four-fold increase in users of our core technology; partnering with two of the world's biggest robotic surgery companies with first revenues received; and making notable improvements to our flagship devices (significantly, releasing of a slimmer Speedboat Inject to market in November 2022).

Since the second half of 2021, operating losses have consistently reduced. Notwithstanding our progress, like all shareholders, I was disappointed with Creo's share price performance during the period. The combination of a number of factors outside of Creo's control, including the economic whirlwind caused by UK's mini-budget in September, fuelled market nervousness which disproportionally impacted the access to capital needed by many early stage, high growth prospect businesses like Creo. With the support from our shareholders, we were able to execute on a planned anticipated final fundraise which was significantly over subscribed, early in 2023 to provide Creo with a strong cash position from which we can enter the next stage of our development and commercialisation of Core Technologies and drive the business through to cash flow break even, and, ultimately, profitability. I thank all shareholders, new and old, for the support provided.

Looking back to our IPO in 2016 and the early-stage medtech business that Creo has grown from, it is clear that we have made significant progress.

Despite the worldwide disruption caused by COVID19, the War in Ukraine and macro economic pressures, we have remained ahead of our projections and continue to improve lives.

Widespread Adoption

In 2022 our core technology improved lives in EMEA, USA and APAC daily. The vision of placing flexible endoscopic surgical capability into the hands of interventional endoscopists and surgeons is real.

Over the year we significantly enhanced our heralded Pioneer Clinical Education Programme, doubling the number of training centres and offering multi-national and bespoke regional models. Most importantly, we supported the treatment of more patients than ever before.

As more clinicians utilise our technology, the likelihood that it will be used to perform additional procedures increases too. In July 2022, a team of clinicians in Israel, led by Dr Sergei Vosko, applied Speedboat Inject to remove a GIST from a patient for the first time.
See pages 46 to 47 for more details.

We continue to progress device clearances across additional territories. The first reimbursement code for resection procedures in the Upper GI tract was approved by the AMA in late 2022 and is something we expect to be of real commercial interest to our customers across the lucrative US market.

The process we need to execute for continued growth and to deliver a step change in patient care across multiple areas of therapy is clear. The rapid increase in patients treated, our growing pipeline of future users and our international successes all validate this.

Additional Revenue Streams

We have developed Creo's business from the outset to have a multi-tiered revenue structure. Through our previous three-tiered build-buy-partner strategy we successfully acquired and integrated Albyn Medical and Boucart Medical, maximising the potential of both our core technology and acquired complementary product ranges. The subsequent acquisition of Aber Electronics in 2021 secured some of the best Microwave and RF engineering capability in the world, bolstered our existing team and secured a key element of our supply chain. With our accelerated growth and significant international footprint, we are leveraging this growth and our economies of scale for the benefit of our core product range.

During 2022 we launched some of our endotherapy accessories, which sit alongside the core Creo GI products, in the US. We aim to replicate this into APAC during 2023, building on the successes of our European model and growing the Creo brand.

I am particularly pleased with the progress of our Kamaptive Licensing Programme during 2022. We secured agreements with two of the world's biggest robotic surgery companies. The quality of our partners demonstrates the wide potential of our technology. The receipt of our first revenues from our Kamaptive Licensing Programme affirms this valuable revenue tier for Creo.

Our focus on the optimisation and commercialisation of our product range will maximise the impact of our Kamaptive Licensing Programme. Reshaping our engineering resources to meet the challenge of these opportunities has naturally resulted in some difficult decisions being made to structure our team composition and capabilities as we concentrate on successfully delivering the next phase of Creo. My sincere thanks go to those departing colleagues who helped us reach this point.

We now have a clear roadmap to enable our Kamaptive Licensing Programme and additional products to work in tandem with Creo's core technology, providing a multi-faceted business capable of reaching far more patients and potential markets than we would have imagined a few years ago. We are now bringing laparoscopic capability to flexible endoscopy, both large and exciting markets underserved by advanced energy.

The Future

2022 was an inflection point for Creo, with significant operational progress and commercial traction cementing our technology at the forefront of a paradigm shift in the treatment of patients across multiple indications.

Building on this progress, we continue to commercialise Creo's core technology, improving the precision and control we afford our customers whilst enabling the delivery of further surgical outcomes.

The Kamaptive Licensing Programme offers significant potential beyond our current partnerships to develop a range of potential derivatives of our technology into other partner programmes.

The next stage of the 'tech play in medical devices' is equally exciting. As our partnerships bear fruit, my vision is to launch the CROMA – powered by Kamaptive developer eco-system, safely giving commercial access to the unique core technology we have to a wide range of potential partners, inspired by the reality of the current partner programmes.

2023 is already moving at pace. Having submitted 510K FDA clearance for our slimmest Speedboat possible, the Speedboat Flush, we will continue the introduction of Microblate Fine to soft tissue ablation in the liver. We are preparing for clinical trials for Microblate Flex in the lung and a whole host besides. This will be delivered alongside the further integration of our wider portfolio of products and their introduction to significant new markets, whilst continuing to evolve the Pioneer Clinical Education Programme.

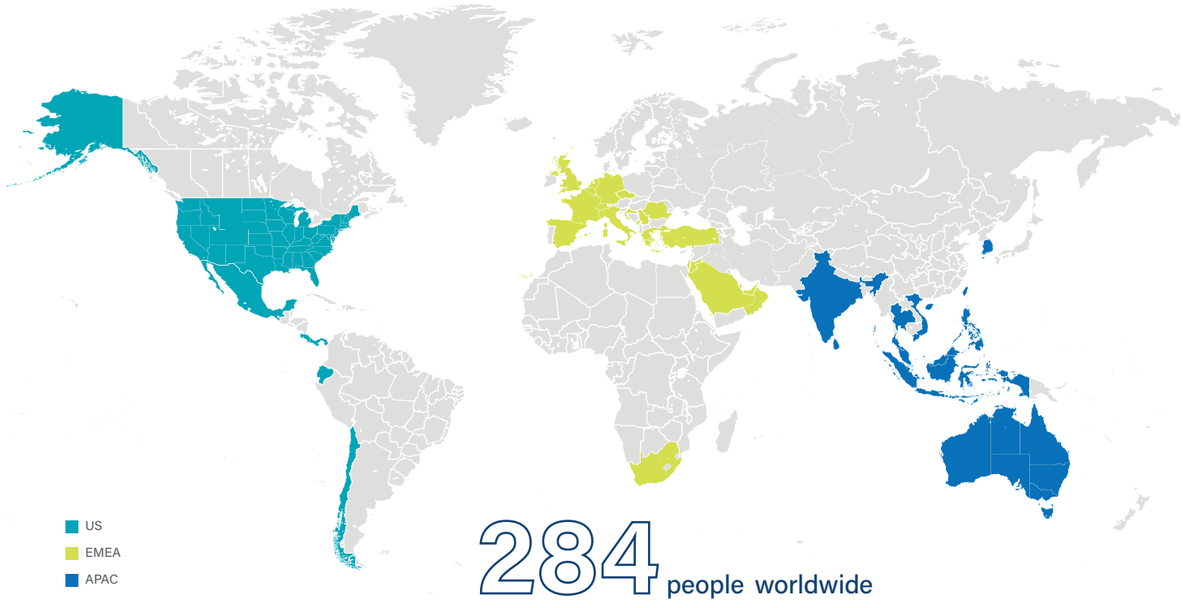
Tying this all together is the continued development of CROMA and with it the prospect of delivering truly game changing real time tissue characterisation software. Building on some key engineering undertaken in 2022, 'Tissue Sensing' has the potential to add tremendous value to flexible endoscopy. The prospect of enhanced precision and control opens up a new frontier for patient outcomes, not to mention the potential benefits to robotic surgical programmes.

It is both a source of great pride and satisfaction to me that we have created a terrific team who know what we need to do in each sector to succeed. Alongside partnerships with some of the world's best surgical robotic partners, our job is clear: to deliver on what we have very clear sight of over the coming months and years to become a premier, cash generative global medical device and tech licensing business, transforming and improving the lives of many thousands as we do so.

Global Footprint

The Foundations for Sustained Growth

Creo Medical's global activities span Clinical and Regulatory, Manufacturing, Training and Education, Market Development and Direct and Indirect Sales.



284 people worldwide

Technology, Research and Development

Domain expertise in advanced energy and devices

Full R&D and support engineering capabilities

Medical energy (RF, MW and more), electronics, device, materials, expertise

460 granted patents &

901 pending

Clinical and Regulatory

Experienced Regulatory and Quality team

UK, EU and USA based personnel

Creo products are cleared in CE, FDA and wider areas

CE, FDA and other clearances on core technology

Training and Mentoring

Clinical education team covering Europe, USA and APAC, with dedicated nurse endoscopist employees assisting training labs and procedures, 20+ trained trainers (doctors), with courses run globally

20+ trainers and c.450 qualified target users

Manufacturing

Creo manufactures/ assembles advanced energy generators, devices, a range of additional equipment and some dedicated electronics in-house in the UK, Spain and Germany, with clean room facilities

4 assembly/ manufacturing locations in Europe

Procurement and Logistics

Full procurement and logistics function with key hubs in the UK, France, Belgium, Germany, Spain and the USA shipping own and third-party products from and to a wide range of countries

6 key logistic sites moving products in country & worldwide

Sales and Commercial

Experienced market development and sales team with deep industry experience and strong relationships with doctors and hospitals. Local teams in local healthcare systems, augmented by select country distributors

100+ sales and market development workforce

10 direct countries

Service and Support

Dedicated service and support function based across seven countries to support Creo equipment from installation, through maintenance and repair. Close working relationship with engineering teams

8 service centres

14 offices

* All figures as at 31 December 2022

Training and Adoption

A Year of Strong Progress

"Premier institutions want to use Speedboat and are getting great results for their patients."

—David Woods, Chief Commercial Officer

We began 2022 with four principal aims in relation to our core products

1. To continue to build our user base and expand the number of cases using Speedboat Inject
2. To enter new markets—not only in terms of sales but in regional regulatory approval, distribution, and training
3. To introduce a wider range of complementary products supporting better outcomes for advanced procedures
4. To build the Creo brand with key opinion and community leaders bringing innovation to their patients and robust data sets that further validate our technology

1. User Base

Creo Medical has three primary targets for Speedboat Inject—interventional gastroenterologists, foregut, and colorectal surgeons. During 2022 we have increased the user base of all three by introducing advanced energy to procedures such as Endoscopic Submucosal Dissection ("ESD") in lower and upper gastrointestinal ("GI"), per-oral endoscopic myotomy ("POEM") in the oesophagus, stomach and Zenkers diverticulum, a pouch formed at the beginning of the digestive tract. Premier medical institutions and physicians around the world now use the Speedboat Inject and CROMA platform to deliver Speedboat Submucosal Dissection ("SSD") for these expanded indications.

Whether it's Baylor College of Medicine in the US, Asian Institute of Gastroenterology in Hyderabad India or University College Hospital in the UK, it is clear that premier institutions want to use Speedboat and are getting great results for their patients. The combination of our technology, our Pioneer Training programme and our clinical team has made the adoption of our devices a smooth and localised process that will allow us to continue to increase our regular users, trainers, and mentors. Early adopters at academic institutions, are now training their colleagues and the next generation of physicians or fellows as well as community-based doctors interested in learning these procedures faster and more safely than possible previously.

With direct commercial teams in the US, the larger markets in Europe and distributors in the rest of EMEA and APAC, targeted leads have turned into c.450 qualified physicians moving through a sales and training funnel to support a sharp uptick in future sales, users and cases in 2023. These physicians are made up of classically trained Endoscopic Submucosal Dissection doctors at academic medical centres who publish, teach and research, as well as EMR physicians in the larger audience of community-based GI physicians. Additionally, the recent introduction of a slimmer Speedboat device, compatible with a wider range of endoscopes, will promote broader utilisation with current and new users. The smaller devices allow simpler access deep into the colon with paediatric colonoscopes, easier retroflection techniques, accessing more difficult lesions behind mucosal folds. The response from users both new and old has been fantastic and we look forward to seeing the slimmer, optimised device continue to drive the number of users and cases.

2. New Markets

In 2022 we added many customers in countries such as the US, UK, Italy, France and India while continuing to provide products and services to hospitals across 75 countries. We successfully completed further country-specific regulatory approval for the CROMA Generator and Speedboat and introduced Creo to new customers in Belgium, Turkey, Croatia, Israel, Thailand, Hong Kong, UAE and Chile. Distribution partners now target regional gastroenterologists and surgeons to introduce our technology and include them in regional Pioneer Clinical Education Programmes. With an established presence across EMEA, the US and APAC we will continue to expand globally, quickly taking countries from being introduced to our technology to having multiple users. Israel is a great example of where we've done that successfully in 2022.

3. Complementary Products

50% of our revenue is now being driven by products where Creo is the responsible manufacturer. This is a combination of our advanced energy products and complementary devices that support many of the same procedures. For instance, the Speedboat Inject, with hemostasis clips and injection needles supports lower GI resection procedures and upper GI swallowing disorders. A Creo manufactured pack of high-quality resection, injection and closure devices offers a high value proposition with great clinical outcomes. Other complementary GI endotherapy products support other procedures offering bundling and additional service opportunities.

Some products in other specialties like urology and interventional pulmonology provide additional bundling opportunities and revenue streams within the same institutions.

Benefits of a wider portfolio of products include; a steady and established revenue stream, sales access to hospitals/clinicians to better package the sale of our core range, and a strong value proposition for our customers by cross selling products. This approach will continue into APAC, subject to regulatory clearances. Creo's other core products at various stages of optimisation and adoption offer other bundling opportunities in multiple specialties.

4. KOLs and Data

Many of the world's top healthcare institutions and premier interventional gastroenterologists and surgeons have adopted Creo's advanced energy technology. These leading care givers, educators, and researchers have validated our innovative technology, promote the minimally invasive procedures we support, and back our commitment to education. Many are faculty members at our Pioneer Training programmes and mentor other doctors with case observations, case reviews and shoulder to shoulder case support.

Several of these opinion leaders are also involved in technology review, product development and product validation. These physicians highlight our technology at society meetings, webinars and live endoscopy events around the world and are committed to research data collection and publishing. We are already seeing an uptick in clinical data gathered over the past 12 months being submitted for presentation at large society meetings like Digestive Disease Week in the US, EMEA and APAC and in some of the world's foremost medical journals in 2023. With case numbers now supporting more robust, statistically significant data, we anticipate a substantial increase in comprehensive data sets, both clinical and economic, to be made public by some of our early adopters very soon.

In addition, two registries, one in the US and one in UK, are gathering data on Speedboat submucosal dissection to support data analytics, journal submissions and clinical and economic outcome enhancement. We are working closely with renowned certification bodies and societies such as NHS, ESGE, ASGE, and JSGE to maximise the impact of the results in independent clinical papers and to recognise SSD as a gold standard of treatment. This will provide a platform from which to increase our user base across our core technology product range, shift patient care away from invasive procedures towards minimally invasive procedures and the life changing treatment options we can provide to patients.

Territory Overview

A Global Reach

Creo Medical is proud to be a Wales-based business with a strong presence in key global markets. We are well represented across EMEA (Europe, Middle East and Africa), and have a growing presence in APAC (Asia-Pacific) and the USA. This allows us to serve customers and partners wherever they are, either directly by Creo or through our network of managed distributors. Maintaining our presence enables us to understand the unique needs and demands of our customers so we can deliver our products and services accordingly. Our blend of direct presence and directly managed distribution partners allows us to navigate the various cultural, regulatory and commercial environments in which we operate or are expanding into—ensuring seamless service delivery and support for all our partners and customers.

Luis Collantes
President EMEA

Ryan Brennan
President USA

Tom Kwan
President APAC

EMEA

Creo Medical has a robust, well-established distribution network across EMEA that allows us to sell our full range of products.

Thanks to the acquisitions of Albyn Medical and Boucart Medical, our direct market now covers most of mainland Europe, building on existing networks and relationships forged over a decade or more.

We also have a growing number of regional distribution partners, who play a vital role to support Creo's direct sales. By working closely with our partners, we are able to provide the best level of service, support, training, and access to our products for healthcare providers and, ultimately, transform the lives of more patients.

Our range of GI, Urology, Pulmonology and Surgical products provides a stable revenue stream for the business as well as a strong platform on which to sell and bundle our core technology. We continue to increase our visibility and brand awareness through targeted marketing and PR campaigns to reach new customers.

Our focus for 2023 is to build on the previous year, introducing advanced energy to new customers and further leveraging our established customer base to increase the sales of our ancillary devices.

See Israel Case Study on page 45.

USA

In the USA, we primarily utilise a direct sales approach supported by our in house clinical support team. We have recently added additional independent sales representatives to supplement our business development resources to reach a wider range of customers and increase our market presence.

The US team is actively engaged with a vast network of highly skilled clinicians. The quality of the interventional gastroenterologists which have been through the Pioneer Programme to train on Speedboat Inject is testament to both the potential for our technology and the value derived from the training. Additionally, we have recently enhanced our product offerings to healthcare settings, providing a more comprehensive range of options. By aligning more closely with what has been successful in EMEA, we are able to cater to a diverse set of needs in the healthcare industry.

Our strategy for the US market is to continue to broaden our range of quality ancillary devices, to deliver a comprehensive therapeutic strategy with procedure bundles and ancillary devices across gastrointestinal, interventional pulmonology and foregut procedures.

In addition, we will look for opportunities to cross-sell products alongside our core technology to increase revenue. This will involve creating packages tailored to specific customer needs and bundled offers that increase the perceived value of our offerings whilst driving higher sales and revenue for Creo.

See Baylor Case Study on page 49.

APAC

Each APAC country has unique requirements for market access. Creo Medical leverages a strategic distribution model in the APAC region to market and sell our core technology. By closely managing a network of distribution partners, we can reach and engage customers across wide ranging and diverse markets. Our regional hub in Singapore, which opened in April 2022, plays a key role in coordinating these efforts.

In 2022, we accomplished a strong performance with the successful introduction of new customers to our core technology.

Our distribution partners under direct management include India (North, West & South), Thailand, Australia, Hong Kong, Taiwan, Vietnam, Malaysia, Indonesia, South Korea, and Sri Lanka. This broad reach has helped us to strengthen our market base in the region. In addition to our distribution sales channels, we are also offering direct sales through our APAC regional hub in Singapore.

In the LATAM region, we've set up our presence and generated business through distributors in Chile and we are securing distributorship for another two of the region's biggest markets—Argentina and Mexico.

During 2023 we will continue to build distribution networks across further territories, introducing our advanced energy technology to more markets across APAC and LATAM as clearances allow. We will also be expanding our product range in targeted countries during the early part of 2023.

See Thailand Case Study on page 51.

Business Model

Transforming Lives, Case by Case

2022 has been a pivotal year for Creo, paving the way for significant growth across revenue streams and, with it, a clear and tangible path towards profitability.

Improving Outcomes Through Advanced Energy

Improving patient outcomes is at the heart of everything we do. Our Advanced Energy Technology benefits patients, saves hospital resources and costs, and provides clinicians with increased flexibility precision and controlled surgical solutions.

Our flagship device, Speedboat Inject, and the CROMA advanced energy platform that powers it are premium, high margin devices delivering clinical and patient benefits. Having complete control over the manufacturing, training and distribution of our products helps drive both clinical excellence and the associated revenue.

Further development of our wider suite of devices continues apace. This includes MicroBlate Fine, which is showing positive results for Microwave ablation treatment in the pancreas and, for the first time in 2022, the liver. We are continuing to drive new indications and new territories for our suite of products.

Our range of complementary single-use endoscopic devices for diagnostic and therapeutic procedures coupled with an established distribution network ensures that we are now able to further maximise the revenue potential of every case whilst providing a complete solution to our customers.

Reaching More Patients Through Our Kamaptive Licensing Programme

Creo continues to receive considerable interest in its technology. Potential parallel applications provide opportunities for growth, enabling us to exploit our significant IP portfolio and ensure our technology is used to treat as many patients as possible, across various indications.

With the right partners, Creo's Kamaptive Technology can accelerate the change in how patients are cared for. The licensing model provides a low outlay and high margin return for Creo when our technology is adopted.

The Kamaptive Licensing programme has accelerated during 2022 through partnerships with two of the world's biggest robotics companies, Intuitive and CMR. The potential for future partnerships in this space is extensive, with over 100 other surgical robotics companies worldwide.

Our unique IP portfolio has a clear potential in several additional, potentially lucrative markets, continuing to place our technology at the heart of new patient treatment options across more indications.

Single Use Devices

CROMA and our Advanced Energy single use devices are premium, high margin products

+

Creo Medical has several complementary profitable and market leading products spanning gastrointestinal ("GI"), urology, pulmonology, and surgery that deliver solutions for therapeutic and diagnostic procedures, as well as cleaning of equipment.

+

The optimisation and commercialisation of a wider range of Advanced Energy devices and the treatment of an increasing range of indications

Every Case = Revenue

Kamaptive Licensing Programme

The licensing model provides a low outlay and high margin return for Creo Medical when our technology is adopted, allowing for a potential case by case revenue.

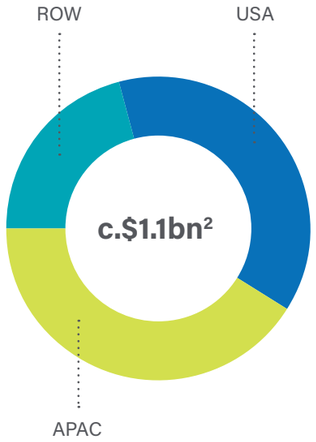
We have had a strong start to the Kamaptive Licensing Programme, establishing partnerships with two of the largest robotics companies, Intuitive and CMR.
The potential for future partnerships in this space is extensive, with over 100 surgical robotics companies worldwide.

Our unique IP portfolio has a clear potential to meet needs in several additional lucrative markets in robotics and beyond.

Market Review

Market Potential

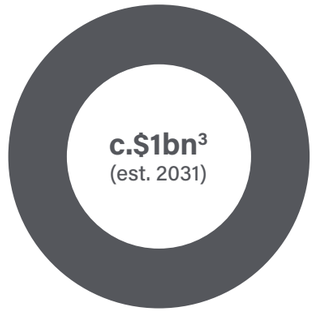
Resection



Lower GI Addressable Market

- Single NHS Trust experience based on c.13,800 colonoscopies
- 5.5% Complex polyps, of which c.49% required therapeutic intervention[1] (c.2.6%)
- Applying to the US based on 16m colonoscopies p.a.[2] implies a c.$425m US and $1.1bn overall total addressable market ("TAM") for lower GI
- Doctor interviews place Creo target market c.$100m US and EMEA within five to seven years — lower GI only
- Additional market potential for Speedboat Inject for upper GI procedures

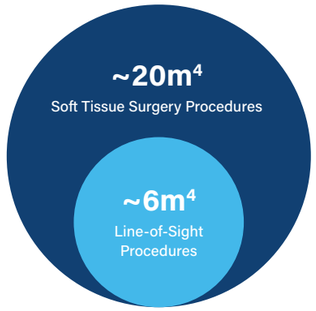
Ablation



Lung Ablation

- Based on estimated procedures[3] and expected device cost for lung ablation in 2031
- 25+ cases completed using MicroBlate Fine expected to grow in 2023
- Similar c.$1bn market developing in lung ablation by 2031
- 240+ shipments of MicroBlate Flex within 2022

Robotics



Soft Tissue Procedures

- 1.8 million Intuitive procedures in 2022 (Intuitive have significant majority robotics market share)[4]
- c.6 million pa Intuitive line of sight[4]
- c.20 million soft-tissue surgery procedures total market[4]
- Significant growth potential in Soft Tissue Robotic surgery market

1 Based on individual account experience (not published)

2 US surgical procedure volumes 2010, Millennium Research, RPUS43SV10, February 2010 / idata Research 2019

3 Internal information on evolution of lung ablation 2023-2031

4 Intuitive Surgical JPM presentation January 2023 (Line of sight: Estimated robotically addressable portion of targeted procedures in targeted geographies with existing products and clearances. Excludes Ion)

Core Technology

Creo Medical Core Technology

Creo is focused on **minimally invasive endoscopic** and **robotic assisted surgery**, in particular for **pre-cancer and cancer** surgery.

- Key areas for Creo are **Upper and Lower Gastrointestinal** (oesophagus, Colorectal), **Lung** and **Soft Tissue** (Pancreas, Liver) surgeries
- Creo's products also address needs in wider (non-cancer) **surgery**
- All devices enabled by CROMA, powered by Kamaptive. See pages 52 to 57

			TARGET APPLICATION
Resection	Speedboat™ Inject	Speedboat Inject is our flagship advanced energy device product with over 1,500 procedures performed using the device. Slimmer model launched in Nov 2022	► Bowel ► Oesophagus ► Stomach
	SpydrBlade™ Flex	Surgical device combining Speedboat blade and precise Microwave coagulation in a unique multi-modal jaw design	► Bowel ► Oesophagus ► Stomach
Ablation	MicroBlate™ Fine	Soft tissue Microwave ablation devices for ablation of tumours in a wide range of tissue types	► Anywhere accessible through the GI tract ► Same size as FNA needle & uses same procedure
	MicroBlate™ Flex	Flexible Microwave ablation device designed for soft tissue ablation where flexibility and small diameter is required	► Lung, stomach, oesophagus and colon

Our Portfolio

Beyond the integration of staff, networks and processes, our regional hubs in Spain, Germany, France and Belgium provided Creo Medical with the opportunity to manufacture, sell and distribute a wider range of products in the fields of Endoscopy, Surgery and Urology.

The continued optimisation of the product portfolio forms part of Creo's ongoing wider product strategy, namely to develop and migrate products from being delivered through strategic distribution partnerships to increasing our ability to research and develop these products—maximising revenue in the process.

This process has already begun and proven to be fruitful, particularly in the GI space, during 2022 (see CCO statement on pages 16 to 17). By making more products compatible with our Core Product Range and our CROMA platform we will continue to build on what we can offer our customers, providing a suite of complete 'Creo-manufactured' solutions for a wide range of indications and procedures in multiple markets.

Powered by

	GASTROENTEROLOGY	UROLOGY	PULMONOLOGY	SURGERY
1 Core Product Range Designed to provide the highest level of patient benefits, deliver cost savings and the latest technology to healthcare providers. The Creo Medical business is built around these products and they deliver a high margin return for Creo Medical.	► CROMA ► Speedboat Inject ► MicroBlate Fine ► Capital Equipment for Device Hygiene	► Urodynamics capital equipment ► CROMA (not yet available)	► CROMA ► MicroBlate Flex	► CROMA ► SpydrBlade Robotics
2 Complementary Products Our ancillary devices have been strategically chosen to extend the reach of the Creo Medical brand, and work alongside our core technology to increase the Creo product portfolio across therapy, diagnostics and cleaning. We have partnerships for the R&D and Manufacturing of these devices.	► Endotherapy Accessories ► Hygiene Accessories ► Manometry Catheters	► Urodynamic Catheters and Accessories	► Endotherapy Accessories	
3 Strategic Distribution Partnerships Can be bundled together with the Creo branded core technology and accessories to deliver a full suite of solutions to our customer base. The partnerships with these manufacturers also provide market insight and awareness of the state-of-the-art technology. When increased volumes are reached, these products have the potential to be elevated to Creo branded products.	► Endoscopic Capsules ► Sonoscape Endoscopy Tower	► Single use Steriscopes and Cystoscopes	► Single Use Bronchoscopes, needles and stents	► ENT equipment, Piezosurgery Technology

Investment Case

Unparalleled Technology

Harnessing advanced energy to treat indications endoscopically

Intelligent Technology

- The development of a suite of cutting-edge, miniaturised Creo manufactured devices
- Combining engineering experience with the latest advancements in science and technology
- Continued investment in R&D, both in house and through our Kamaptive partners, to expand and enhance the treatment options open to healthcare providers
- A broad intellectual property ("IP") portfolio

Read more on our intelligent technology from our CTO and founder Chris Hancock, pages 60 to 61.

Multi-Tiered Revenue Stream

- Core advanced energy devices at various stages of commercialisation, with the slimmer Speedboat Inject yielding an increase in orders
- Complementary products providing opportunity to maximise revenue per procedure
- Additional product portfolio in areas such as urology, pulmonology and device hygiene providing consistent revenue stream
- Kamaptive Licensing Partnerships progressing well, providing revenue and milestone payments with excellent potential for future royalties

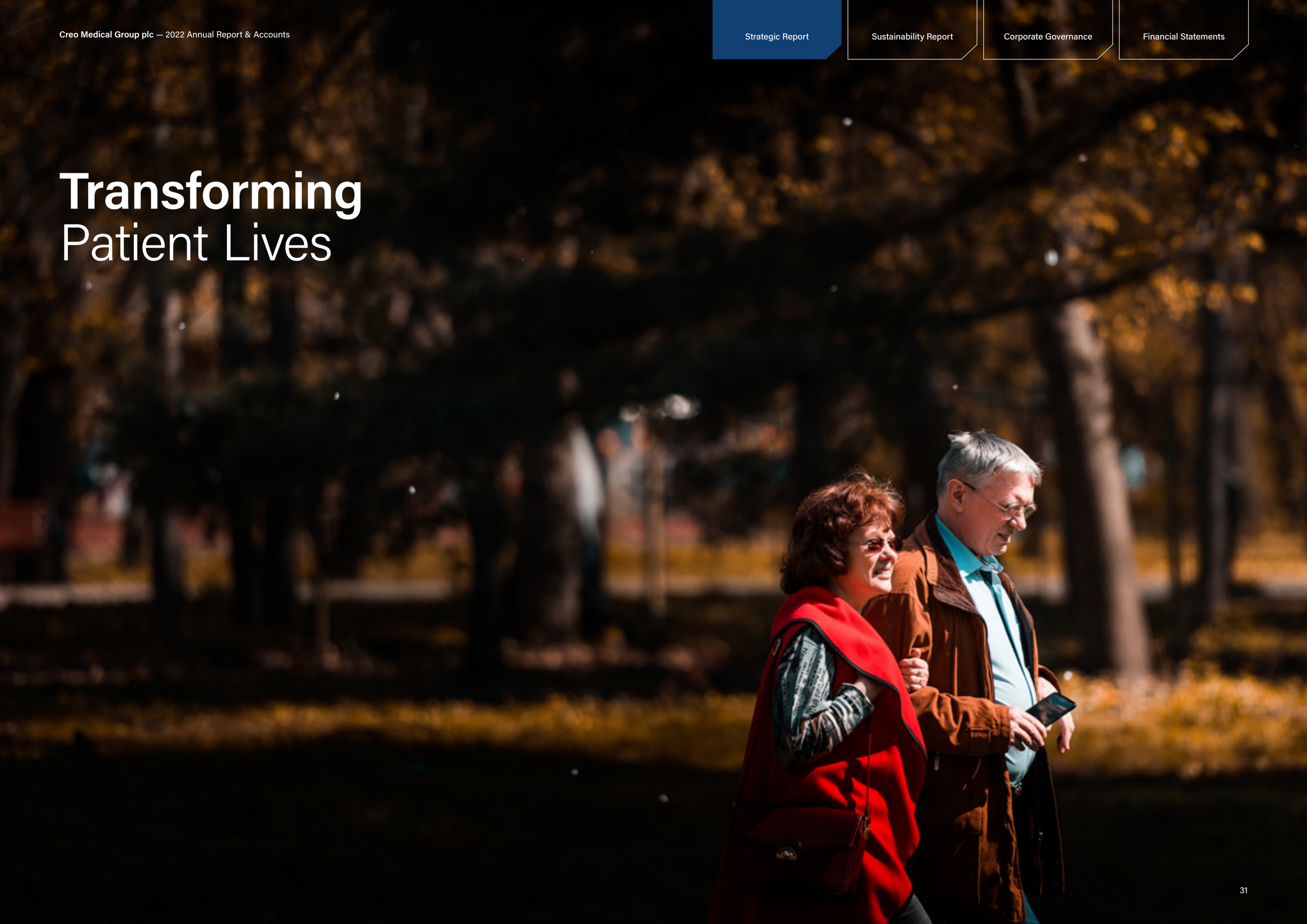
Read more on our enhanced revenue streams in our CEO and CCO statements, pages 12 to 13 and 16 to 17.

Addressing Global Needs

- Entering new and established markets where there are significant unmet needs in the treatment options available
- Bringing advanced energy, until now synonymous with surgery, to endoscopic procedures
- Significant potential in robotics partnerships
- Working with some of the world's leading healthcare providers and physicians to ensure clinical excellence when introducing minimally invasive alternatives to surgery for patients across the globe

Read more about how healthcare providers and patients are already benefiting from our technology on pages 31 to 43.

Transforming Patient Lives



Transforming Lives

Retired maths teacher Chris Grayling only visited his GP at his wife's insistence. Tests revealed an 11cm growth in his bowel.

Initially, Chris was told he would require a major operation that would have left him with a colostomy bag and an altered life.

Thanks to the advanced capabilities of Speedboat Inject and the world-leading complex polyp service it has facilitated at NHS East Kent Hospitals Trust, Chris's lesion was removed endoscopically, en-bloc and with **no pain to the patient**. He left the hospital the following morning and was back in the gym in no time. **Histology showed the procedure to be curative.**

"They said, a few years ago I would have ended up with a colostomy bag for six months to a year. If that was the option to keep me alive I would have taken it, but now I feel like I've got off virtually scot-free.

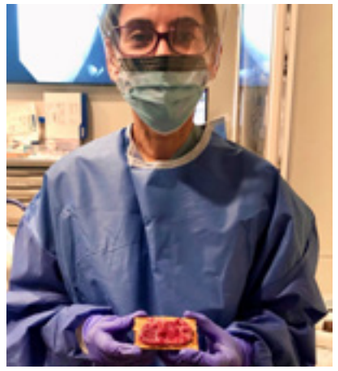
One of my closest friends died of bowel cancer and that made me so frightened. I can't thank the team enough for everything they have done. They were brilliant and I owe them my life."

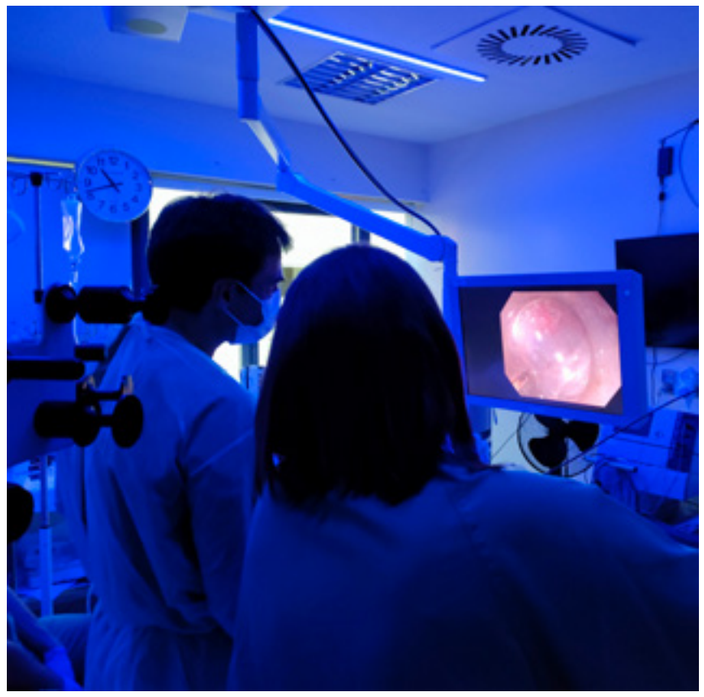
Chris Grayling is one of well over a thousand patients all over the world to have already felt the benefits of Creo's Advanced Energy Technology.

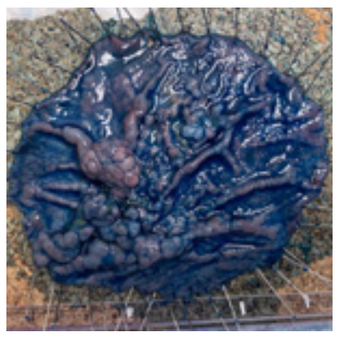
Anything is Possible with the Right Approach

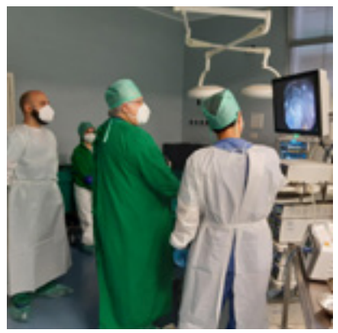
Case by Case

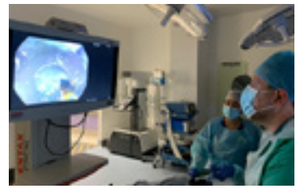
Device usage has grown quickly from multiple cases being performed daily on a global basis

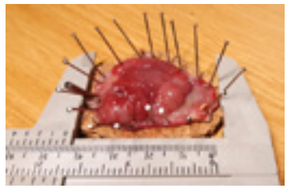


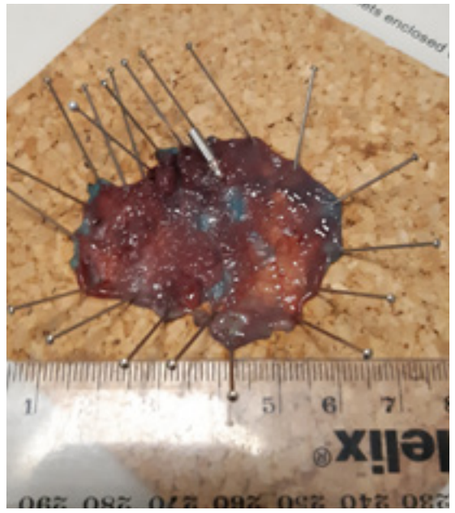


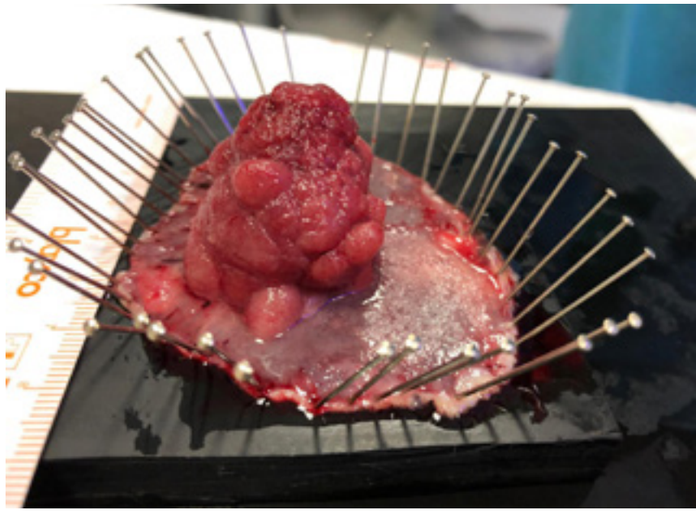












Healthcare Providers

Transforming Patient Pathways

Healthcare Providers

The combination of our intelligent advanced energy technology and our expanded Pioneer Clinical Education Programme enables our customers from around the world to change patient pathways.

An endoscopist can treat up to four to five patients a day under sedation with Speedboat Inject.

With both the prevalence of complex polyps and waiting lists across the world growing, this is an attractive solution not just to hospitals and health boards but to bodies such as NHS Supply Chain, who are actively engaged with us.

Because of the benefits to both patients and healthcare providers, doctors are beginning to be incentivised to perform SSD by payers of care, with tariffs of hundreds of pounds or more per procedure not uncommon in the NHS. As SSD becomes more common, so too does the increase in demand from the hospital, further facilitating a change in patient pathway.

*Cost-effectiveness analysis of Speedboat submucosal dissection in the management of large non-pedunculated colorectal polyps, based on 50 patients. Authors: Amir Ansaripour, Mehdi Javanbakht, Adam Reynolds, Zacharias Tsiamoulos. Data on file.

Current Patient Treatment Pathways—Why Speedboat Submucosal Dissection ("SSD")?

Current patient treatment pathways

Surgery

- Up to 30cm of bowel removed and sections re-joined
- Change to the patient's anatomy
- Potential stoma bag for months, even life in some cases
- Approximately four hours of treatment under general anaesthetic with associated risks (e.g. infection)
- Up to five days hospital stay
- Follow up treatment required

Endoscopic Mucosal Resection ("EMR")

- EMR has become the industry standard from removing small, non-cancerous complex polyps in the colon endoscopically
- It does so by snaring and ripping complex polyps from the colon—bit by bit or 'piecemeal'
- This does not achieve an en-bloc resection, making follow ups a necessity and preventing a curative outcome
- High chance of re-occurrence, with associated need for further future procedures

Endoscopic Submucosal Dissection ("ESD")

- Lesions can be removed en-bloc using monopolar devices in a procedure commonly referred to as ESD
- ESD traditionally has a long learning curve (with doctors often spending up to six months in Japan to train)
- Using monopolar energy requires the body to complete the Radiofrequency circuit—with energy passing though the patient at every use
- This requires high volumes of energy which can cause issues with precision and spread, and can cause complications
- Because of the distribution of energy, monopolar devices can often result in charring of the tissue or perforation into the muscle layer, with associated complications

Why SSD?

Speedboat Submucosal Dissection ("SSD")

- Provides intelligent, controlled and precise distribution of energy using less power to greater effect—minimising the chances of perforation, charring and other unwanted outcomes
- Offers a curative outcome, with typically no follow up procedures required
- Changes a patient's pathway from surgical to day care—freeing up surgeons and doctors
- Significant time and cost savings to the provider of care
- Creo Medical's Pioneer training programme has demonstrated the potential to teach non ESD trained doctors to perform SSD in a weekend, with a short period of case mentioning to ensure optimal use

Pioneer Clinical Education Programme

Training—Growth of the Pioneer Programme

With a pipeline of experts wanting to be part of the Creo journey, we have significantly increased our training capacity post-pandemic.

- Fourfold increase in doctors trained since 2021

Global experts providing training all over the world

- A huge increase in ex-vivo activities, used for better selection of trainees for higher procedure volumes following first human case

Ability to run more cost-effective in-vivo training programmes

- Increase in trainers and demand allowing training events of 10 or more trainees at a time to become the norm, with cost efficiencies in the per head cost of training and time away from clinical practices for staff and trainers
- Introduction of both multi-national and local training programmes mean training can be provided in a way which encourages take up and onward regular use of the device
- Decrease in training costs per user means user accounts become profitable more quickly

Increase in live training events

- Using our expanding group of experienced users, we have increased live case training events across all regions with Creo's core technology

Launch of the Pioneer Online Community

- Sharing learning and experience between clinicians, peer to peer, is the fastest way to educate and accelerate change of practice within the medical community. The Pioneer Community gives doctors a closed and secure way of sharing information on all Creo technology

Continued Growth Plan

- The Pioneer Clinical Education Programme is becoming recognised globally as a world-class programme

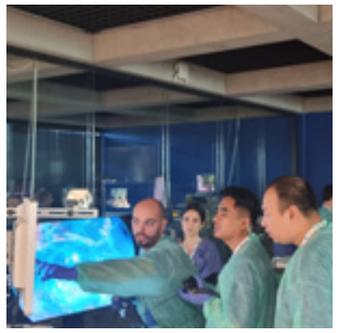
Creo Clinical Resources Driving Utilisation

- 2022 was the breakthrough year for establishing our clinical resources. We have added a Clinical Education Specialist in all geographies to be able to train, mentor and accelerate the pathway from trainee to user. This will continue to grow as we enter further new markets
- Wider suite of devices does not require such an intensive level of training as those to date so it will be easier, faster and more cost effective to train users on these devices
- With the pipeline of clinicians increasing due to brand awareness, device optimisation and the introduction of new territories, Creo now has the ability to provide bespoke training to ESD or EMR trained doctors based on background and skillset

Adoption and Outcomes

- New users are being added each week with multiple cases daily on a global basis, the rate of adoption and conversion is increasing
- The second Speedboat Inject device in the Speedboat family of devices. With a 'slimmer' profile, the device is compatible with endoscopes with a working channel of 3.2mm or greater and enables endoscopists to address more indications in patients where narrower and more flexible devices are required over the original Speedboat Inject
- We have attracted some of the world's finest endoscopists as early adopters and key opinion leaders of our devices





Healthcare Economics

Adoption & Outcomes

East Kent Complex Polyp Service
The first of its kind globally showing excellent results.

Patient

Nurse

Clinician

NHS Clinical Coder

East Kent Complex Polyp Service

Complex polyp service facilitated by Speedboat Inject and SSD. It has changed the patient pathway from one of surgical intervention to minimally invasive day care with better outcomes for the patient, the clinical team and the hospital.

Data

With Speedboat's regular users now having treated a statistically significant number of patients, we are beginning to see clinical papers and data make the case for Speedboat Inject. We anticipate this accelerating sharply in the first half of 2023 given the data-sets now available to clinicians and this will only help increase the take up of Speedboat amongst Healthcare Providers.

Scan the QR code to watch the full interview.

Speedboat Submucosal Dissection ("SSD") Procedure—the alternative, impact and savings

The Alternative, Clinical Impact & Health Economic Data

- Alternative is for up to 30cm of bowel removed and the two sections re-joined
  - Change to the patient's anatomy
  - Potential stoma bag for up to six months or even life
  - Other associated effects such as depression
- Between three to four hours of treatment under general anaesthetic with associated risks
- Up to five days' hospital stay
- In one day, four to five patients can be treated under sedation with Speedboat
  - Savings of over £10k per procedure
  - So in one day can save NHS: £40,000 – £50,000 of cost; 16-20 hours of operating theatre time and up to 20 to 25 inpatient days
- Actual savings based on an independent case series of 60 patients and episode data validated at £10,400 (c.50%)
- Cumulative NHS savings by end of 2022 forecast to be over £2.5m
- The potential NHS savings would amount to c.£180m per year*
- NICE accreditation submission targeted in late 2022 / early 2023

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 Outcomes
as shorter procedure and recovery times allow patients to leave the hospital on the 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.

* based on the The 2020 National Bowel Cancer Audit

Rapid Clinical Adoption

Petah Tikva
Israel

Israel's Rapid Speedboat Adoption

Distribution model enables seven hospitals across Israel to adopt Speedboat Inject in record time.

Creo Medical's unique advanced energy CROMA platform and associated Speedboat Inject device are now in everyday use across the world, with direct sales, clinical education and support structures having ensured a bespoke pathway to adoption for each individual user and hospital.

In Israel, by combining with the strengths of local distributor Tradis Gat, a more streamlined approach is proving hugely successful.

The distributor

Upon the relaxation of international COVID19 restrictions, Creo Medical identified Israel as being a target market, well placed to quickly benefit from Speedboat Inject, with the device having gained FDA clearance for both upper and lower GI procedures.

In Tradis Gat, Creo found a well-established distribution partner with an excellent reputation across Israel who also shares Creo's drive and ambition to put the most advanced technology in the hands of skilled doctors to help transform lives.

"Besides its impact on patient care, Speedboat Inject is unique in that it empowers these professionals to handle complex situations more effectively and thus, completely change the role of Advanced Endoscopy.

It is rare to see a medical device make such an impact as Speedboat Inject, and we look forward to maximising its opportunities with Creo Medical's great team."

—Alon Gat, Managing Director, Tradis Gat Ltd

The key to the Israel model has been selecting the right distribution partner for the market and ensuring that Creo Medical's customers were trained as a team.

For this to be successful the distributor, supported by Creo Medical, ensure early engagement at both a business and clinical level to ensure Speedboat Inject is the right fit and to establish a bespoke training and mentoring plan before gaining commitment to attend Creo Medical's global Pioneer Clinical Education Programme.

Rapid Clinical Adoption

New user Dr Sergei Vosko removed a GIST using Creo's Speedboat Inject for the first time anywhere in the world.

September 2021

Identified regional distributor, Tradis Gat, and agreed distribution model. Commercial agreement signed on 10th September.

March 2022

Four Israeli physicians attend Pioneer Training event in Spain.

May & June 2022

Dr. Sergei Vosko performs first human case on 1st of May.

Three further physicians perform their first human cases.

July 2022

World's first GIST (Gastro Intestinal Stromal Tumour) SSD removal procedure performed at Assaf Harofeh Medical Center by Dr. Sergei Vosko using Speedboat Inject device.

Four more physicians trained in Cambridge. From the Clalit group—no.1 private hospital group in Israel.

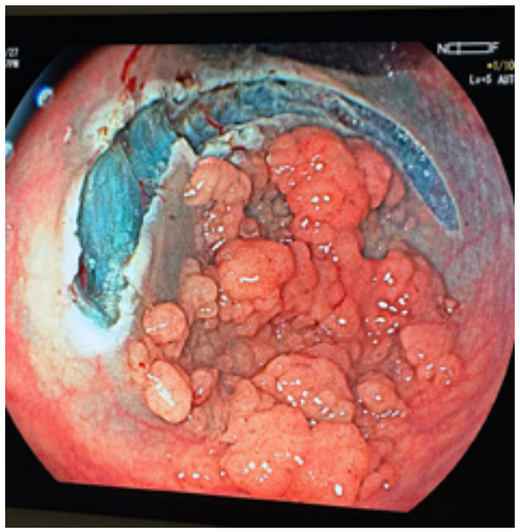
Eight doctors and counting from hospitals across Israel trained on Speedboat Inject, all with cases either completed or scheduled and with more in the pipeline.

August 2022

Distributor began to lead on training, with support from Creo. Allows for more doctors trained and more procedures through localised training and alignment of training and first cases.

November 2022

Multiple physicians now performing multiple cases with several more planned.



"There's nothing like watching our team return from a Speedboat Inject case with such a spark and thrill. We're riding an opportunity wave with this unique device. We have built a network of driven, passionate, and eager professionals who are standing in line to be able to steer Speedboat Inject."

— Guy Dar, Tradis Gat Ltd

Multi-User Site

Houston, Texas United States

Baylor College of Medicine: Multi doctor site. More cases. More users.

Baylor College of Medicine is a world-renowned medical institution and academic centre in Houston, Texas, US.

Dr. Mohamed Othman is Professor of Medicine there, and has quickly become one of Speedboat's biggest users following his first case with the Speedboat Inject device in April 2021. Dr. Othman also has more than 80 publications and book chapters in the field of pancreaticobiliary disorders and advanced endoscopy.

He uses advanced energy and the Speedboat Inject device to perform both POEM procedures in the upper GI tract and SSD in the lower GI tract, quickly completing more than 75 procedures as it rapidly became clear that the patient outcomes, caseloads and economic benefits of using Speedboat Inject merited a second doctor being able to offer the benefits facilitated by the technology.

Dr. Othman was part of the team who trained Dr. Jawaid, Assistant Professor—Advanced Endoscopy at Baylor College of Medicine, prior to his first case in October 2021—with Dr Jawaid soon completing upwards of 40 cases with Speedboat Inject (POEM and lower GI SSD) since then.

Having both now performed live educational cases using Speedboat Inject at both US and international endoscopy events, Dr. Othman and Dr. Jawaid are now completing Randomised Controlled Trials using the device as the data mounts on its impact.

The positive impact of Speedboat Inject and CROMA's advanced energy on the endoscopy programme at Baylor means that a third doctor, Dr. Kehanian, is now undergoing training to further widen the pool of doctors able to offer third space endoscopy procedures, with a second CROMA platform recently purchased to ensure that cases can be completed simultaneously where the need arises.

"I learned it quickly with great mentors from the Creo Medical Group, as well as Dr. Othman. It feels like better technology. It feels like more precise technology. More focused energy with less waste resulting in better patient outcomes. We just have to prove the benefits over time, and I think we're at that stage now from a research perspective. It's very exciting."
—Dr. Jawaid*

*Taken from our recent webinar —scan the QR code to watch.

Early Adoption

Bangkok
Thailand

Thailand—KOLs and first rate facilities supporting early Speedboat Inject adoption

King Chulalongkorn Memorial Hospital is one of the two King's Hospitals in Thailand and the second largest university affiliated teaching hospital in the country.

After successfully identifying and partnering Meditop Co. Ltd. as Creo's distributor for Thailand, both parties combined to successfully run the first Thai Speedboat Inject training lab at King Chulalongkorn Memorial Hospital on April 26, 2022.

Six skilled local doctors joined Creo's clinical specialists and two existing Speedboat Inject users: from the UK and India to complete a successful one-day training course at the world-renowned Chula Soft Cadaver Surgical Training Center.

The trainee doctors took quickly to Speedboat Inject and were impressed by Creo's advanced energy application from the onset of training.

Prof Pradermchai Kongkam, Director of the GI Endoscopy Center at Chulalongkorn Hospital, and a highly regarded expert in ERCP/EUS across the Asia Pacific region, was so impressed by Creo's new technology that he then went immediately to treating human patients using Speedboat Inject in the two days following training—his first SSD (or Rectal ESD of any kind).

In fact, three out of the total six trained doctors at Chulalongkorn Hospital were able to immediately use Speedboat Inject for live cases, a real testament to the technology, the success of the improved, localised Pioneer Clinical Education Programme and the facilities available to Creo Medical in APAC. It also highlighted the volume of potential cases quickly treatable by Speedboat Inject in the region.

Following another successful local training lab in July, Creo organised our first multi-national APAC training lab in September to engage regional doctors from Thailand, India, Malaysia and the Philippines in collaboration with Prof Pradermchai to accelerate the adoption of Speedboat Inject in the respective markets.

In addition, the hospital will soon be made an APAC regional Centre of Excellence, collaborating with Prof Pradermchai Kongkam and others not only on the wider use of Speedboat Inject but also further Creo products as they make their journey towards commercialisation and adoption in the region.

"We are extremely pleased with the success of our training labs in Thailand's King Chulalongkorn Memorial Hospital and how they, in conjunction with our technology, have facilitated quick adoption by numerous Thai doctors.

"We are also delighted with the reaction we have had from regional KOLs, which has not only cemented our presence in Thailand but also allowed us to quickly make inroads into lucrative markets such as India.

"With our technology easily compatible with the high volume of experienced ESD doctors practising in Asia, we look forward to building on our early successes across the region."

—Tom Kwan, President APAC

Kamaptive Technology™

Transforming Energy

Kamaptive™—Creo's Proprietary Platform

Intelligent Energy with Safety at Heart

kamaptive technology™

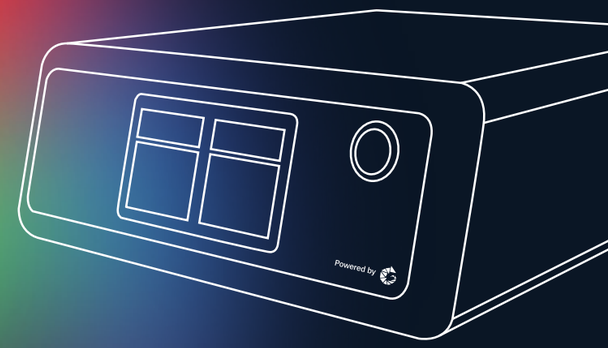
What is Kamaptive Technology?

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.

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.

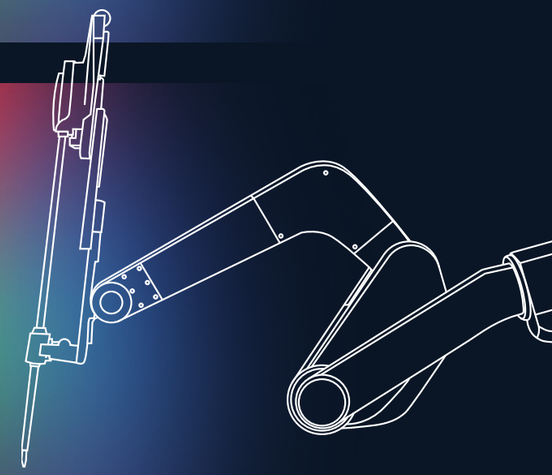


Miniaturised

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.



Kamaptive Technology

Kamaptive Partnerships

Creo's Kamaptive Licensing Programme sees the Company partner with selected industry leaders in lucrative, growing markets.

It provides Creo with a path to high margin, long term and repeat revenue, maximising the potential of our technology where it exists and where we wouldn't be able to get to ourselves e.g by partnering with robotics giants.

Kamaptive Licensing Programme will look to partners to fund the development, optimisation or customisation of technology in relation to their needs and that of their industry. This reduces the R&D burden on Creo Medical going forward whilst allowing us to continue to innovate.

"Technological advancements are facilitating a paradigm shift in the way many surgical procedures are delivered."

—Craig Gulliford, CEO Creo Medical

Source: https://cmrsurgical.com/press-kit

KAMAPTIVE COLLABORATION AGREEMENTS

Creo technology to be adapted for use with robotic-assisted surgical platforms

Intuitive

- Multi-year collaboration agreement with Intuitive—**a global technology leader** in minimally invasive care and **the pioneer of robotic-assisted surgery**
- Agreement will see **optimisation of certain Creo products** to be **compatible with Intuitive's** state of the art **robotic technology**
- Agreement also provides a framework to allow **joint clinical studies** to be undertaken and includes a number of **milestone payments** to be made to **Creo**
- Future **royalty structures have been agreed** which will apply when products are commercialised
- **First revenues** from Kamaptive Licensing Programme **received in H1-22** with further revenue in **H2-22 and 2023**

CMR Surgical

- CMR's **next-generation surgical robot**, Versius®, is a **significant new entrant into the robotic surgery space**, performing laparoscopic procedures worldwide across a range of specialties
- A non-exclusive **Intellectual Property Licence** and **Royalty Agreement** has been made to integrate certain aspects of **Creo's technology** with **Versius®**

Core Technology

Intelligent Technology

Technology Review

Creo Medical harnesses latest advances in Microwave and Radiofrequency technology and innovative thinking to improve patient care. We have world-leading technology developed and optimised by experts in their field—pushing the boundaries of science and engineering to revolutionise the way patients are treated.

Creo founder and CTO Professor Chris Hancock gives a run through of what makes Creo's intelligent technology so unique.

World-leading Components

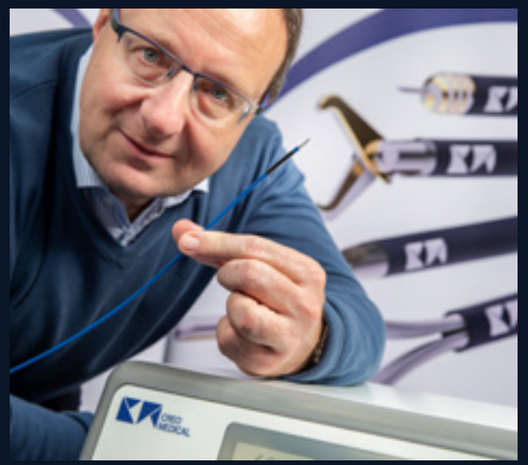
Our CROMA generator and associated miniature flexible instruments bring together the latest advances in material science, semiconductor Microwave power generation in miniature packages, high voltage fast switching RF transistors, low loss Microwave transmission lines and over 500 years of know how from our engineering team, working harmoniously with exceptional outcomes.

Take the antennas and amplifiers we use as an example, manufactured uniquely and specifically by ABER Electronics, now part of the Creo Medical umbrella. The advanced antennas we use and the way we use them are just one example of how high-quality, cutting-edge components work together to make our products unparalleled and irreplicable.

Hand-picked Talent

Creo has a mixture of some of the most respected engineering talent in the UK. From global telecommunications experts and experts in military antenna and RADAR design to signal processing specialists and young Microwave focused PhD students, their brilliance is at the very heart of our 'anything is possible with the right approach' mantra.

This approach is further enhanced by our collaboration with some of the most respected clinicians and key opinion leaders in the world, talented physicians who are passionate about delivering the best possible outcomes for their patients and who support Creo Medical across all aspects of product development, uptake, training and evaluation. It's a key part of ensuring that the products that come to market are optimised for clinical use and the best patient outcomes. The fact that they are excited by what we are delivering and what's around the corner speaks volumes.



PROF. CHRIS HANCOCK, CTO

Add to that the range of specialists Creo now has, having expanded the business, from manufacturing to marketing, and it's clear that what we now have is the right talent in the right places to turn this technology into an attractive, all-round package for the user.

Intellectual Property

Our aggressive, wide-ranging patenting strategy is now also paying dividends through the Kamaptive Licensing Partnerships expanding our presence in new clinical specialties to provide better outcomes for more clinical indications. These Licensing Partnerships illustrate the importance of protecting and leveraging for the continued prosperity of the business. Any potential competitor that has attempted to enter our space has been blocked through our IP development strategy to file claims for new inventions at the prototype and ideation stages.

During 2022 we continued this strategy and pressed ahead with different applications for our advanced energy, whether that be endoscopically, laparoscopically, in robotic surgery or elsewhere. A total of 15 patents were filed over the year to protect our advanced sensing as well as multi-modal energy delivery systems; this is 25% more than in 2021 and includes a handful directed to numerous developments for a new vessel sealer instrument and inventions relating to detecting optimal tissue seals among others.

When I founded the Company all those years ago, I could never have envisaged the multiple markets we might enter. Thanks to a combination of tech, talent and our comprehensive patenting strategy we are making the treatment of more and more indications possible and achievable.

Realising our Potential

During 2022 we optimised existing devices, allowing physicians a pathway for broader indications, the development of future devices and the rapid progress in the potential for our technology to help treat patients in laparoscopic and robotic surgery.

Packing the optimal capability, functionality and effectiveness into devices the size of a grain of rice is not easy, but we are doing it and are excited about what more we are delivering in our R&D and engineering departments.

We know the cases are mounting and with it the clinical data. That will be what proves that what we have is better, more effective and will open up our technology to transform further lives. I think 2023 will be the year we really see that data coming to the fore.

Elsewhere we are in the final stages of work on the next iteration of our CROMA platform, with future exciting enhanced delivery modalities such as tissue sensing also being developed. We've quickly taken vessel sealing tech from a concept to a working prototype and are excited about the potential opportunities for it and we've a number of further ongoing projects which I'm hopeful we can update on in the near future.

I'm also heartened by Microwave ablation becoming more commonplace in the mix of treatments for cancers. The risks associated with percutaneous treatment (e.g. for treatment in the lung where there are well established risks of hemothorax and pneumothorax) further validates the potential for our focused, advanced energy technology which we are very excited about seeing the results for.

Powered by Kamaptive Technology—Seamless, intuitive integration of multi-modal energy sources, optimised for Dissection, Resection, Coagulation and Ablation

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

CFO's Review

A year of significant financial progress

"First revenues from our Kamaptive Licensing Programme in the year along with growth in sales of our CROMA and Speedboat Inject device"

—Richard Rees, Chief Financial Officer

I am pleased to announce our sixth Annual Report and accounts since our IPO on AIM in 2016. We have seen the first revenues from our Kamaptive Licensing Programme in the year along with growth in sales of our CROMA and Speedboat Inject device. These revenues along with cost savings and operational efficiencies have reduced the underlying EBITDA loss year on year. The fund raise of £33.7m (before expenses) in Q1 2023 provides us with the platform to achieve positive underlying EBITDA by 2025.

Revenue and other income

The Group has made significant progress in establishing sales channels through new products as well as the development of our commercial footprint with our Kamaptive Licensing Programme seeing its first revenues and additional Heads of Terms signed with new partners.

Our European operations have continued to be cash generative to the business and we are starting to see growing sales through broader direct and indirect sales channels for CREO across our large portfolio of products.

Revenues billed in the year in relation to Speedboat Inject and CROMA increased to £0.9m (2021: £0.3m) and Kamaptive licensing revenues of £1.4m (2021: nil).

£24.9m was generated through consumable sales in Creo Europe. Other operating income of £0.1m in the 12-month period to 31 December 2022 (2021: £0.1m) relates to research grants.

Gross Margin

Gross margin improved from 46.0% in 2021 to 48.3% in 2022 driven by an increase in margin from consumable sales from 46.3% in 2021 to 48.0% in 2022.

Operating loss

The operating loss for the year increased to £30.8m (2021: £29.9m), reflecting a full year of additional heads recruited towards the end of 2021, to support the increased operational growth and completion of key R&D projects. The underlying operating loss for the year was £20.8m (2021: £20.0m).
The underlying EBITDA loss for the year was £22.1m (2021: £22.6m). Operating expenses peaked during the year as we completed key R&D projects and invested in our operational capacity and operational resources. In the second half of the year we saw these costs reduce against H1-22 by 5%, a trend we expect to continue into 2023 and we have already seen evidence of this in Q1-23 management numbers.

All Figures £'000	12 MONTHS TO 31 DECEMBER 2022	12 MONTHS TO 31 DECEMBER 2021
Revenue	27,169	25,161
Cost of Sales	(14,047)	(13,576)
Gross Profit	**13,122**	**11,585**
Other Operating Income	51	52
Administrative Expenses	(43,929)	(41,544)
OPERATING LOSS (statutory measure)	**(30,756)**	**(29,907)**
SIP Charge	119	–
Earnout	933	500
Depreciation & Amortisation	3,112	2,562
R&D expenditure recovered via tax credit scheme	4,507	4,299
UNDERLYING EBITDA (non-statutory measure)	**(22,084)**	**(22,546)**
Share-based payments	1,279	2,564
UNDERLYING OPERATING LOSS (non-statutory measure)	**(20,805)**	**(19,982)**

Whilst underlying EBITDA and underlying operating loss are not statutory measures, the Board believes they are helpful to include for investors as additional metrics 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 pursue ongoing commercialisation focus of its approved products. The underlying EBITDA position excludes SIP charges and Earnout charges (contingent and deferred payments on previous acquisitions), 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. The underlying operating loss position is the same as underlying EBITDA but also excludes share-based payment expenses which are non-cash.

Tax

The tax credits recognised in the current and previous financial 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 Creo Europe 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 have been recognised due to the uncertainty over the timing of future recoverability.

CFO's Review...*continued*

Expenses

Administrative expenses totalled £43.9m for the year (2021: £41.5m). The increase was largely driven by headcount costs which increased to £22.9m for the year from £20.5m in 2021 due to an increase in employees at the end of Q4-21. Non employment R&D costs were £6.9m in the year (2021: £7.3m) due to the completion of key R&D projects and a move towards funded R&D projects such as the Intuitive agreement, offset by increase in Patent costs.

Sales and marketing costs were £3.8m (2021: £3.2m) driven by increased travel compared to 2021 due to COVID-19 restrictions as well as costs associated with growing our Core Technology sales.

General and Administrative expenses were £5.1m (2021: £5.0m) with our facility and utility costs all increased due to inflationary pressures. Non-cash expenses comprising of SIP charge, earnout expenses, sharebased payments and depreciation and amortisation were £5.2m (2021: £5.5m). Adjusting for these our underlying admin expenses were £38.8m (2021: £35.8m).

In the second half of the year we saw these underlying administrative costs reduce against H1-22 by 5% a trend we expect to continue into 2023 and we have already seen evidence in Q1-23 in management numbers reported. This was following a restructuring of the R&D teams as we move to the next phase of commercial development with the completion of many projects in 2022.

Loss Per Share

Loss per share was 15 pence (2021: 15 pence).

Dividend

No dividend has been proposed for the year to 31 December 2022 (2021: £nil).

Cash Flow and Balance Sheet

Net cash used in operating activities was £25.0m (2021: £26.0m), driven by the increased investment in operational capacity, focusing on commercial activities and initial cash outlay for Endotherapy consumable products in the US and Europe. Net cash used in investing activities was £6.0m (2021: £7.8m) driven by the investments in new facilities for our UK headquarters and deferred and contingent payments made for previous acquisitions. Cash generated from financing activities was £0.5m during the year.

Total assets at the end of the year decreased to £75.3m (31 December 2021: £100.6m), a 25% decrease, reflecting the reduction in cash from operations for the year. Cash and cash equivalents at 31 December 2022 was £13.1m (31 December 2021: £43.5m). Net assets were £49.4m (31 December 2021: £73.3m), a 33% decrease due to operating loss and share based payment expense.

Post balance sheet event

We raised £33.7m (before expenses) through an oversubscribed fundraise in March 2023 which enables Creo to push commercialisation of the suite of products and move to break even and being self-cash sustaining within the near future.

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 year and are described on pages 130 to 131.

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 and monitored. 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 Pioneer Clinical Education Programme, integration of acquired entities, ESG metrics such as carbon emissions, diversity ratios and employee engagement (see our sustainability report on pages 70 to 85). All non-financial measures are monitored monthly. 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 66 to 69.

Directors

Details of the Directors who served during the year ending 31 December 2022 are set out on pages 90 to 93. 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.

On behalf of the Board

Richard Rees
Director

Risk Management

Principal Risks and Uncertainties

Risk Management Process

The ability to identify, manage and mitigate risks is integral to any business achieving its objectives and fulfilling its strategy. Creo's risk management process adopts a bottom-up approach to identifying risks and reporting them to both the Audit Committee and, ultimately, the Board. The Board then reviews and assess the risks identified and the risk appetite for the Group which, in turn, provides department heads feedback and guidance on those key risks to focus on and address as a priority.

Risk Reporting Process

Risk Committee

Creo's Risk Committee is a non-Board committee made up of department heads. The Risk Committee meets formally each quarter. Each member is responsible for the identification, monitoring and mitigation of the risks within their respective departments with guidance provided by the Board. Risks are reviewed by the Risk Committee and challenged by other heads of department as to the impact and probability ratings.

Our Risk Appetite

The Board is responsible for determining the Group's risk appetite alongside its business and sustainability strategy. This includes identifying risks and opportunities across the Group. The risk appetite helps to determine those salient risks requiring the most attention and effort to mitigate or to which additional resource is allocated. We have determined the following risk appetites for the current period:

During the reporting period, the appetite for operational risk has reduced from high to medium. This reflects the work undertaken over the last 12 months to hone Creo's operations and internal processes and the increased impact operations has on the business.

We recognise that the risks are different when achieving commercial traction in Europe, the US and APAC and each bring their own challenges and risk profiles. We therefore have input from the commercial heads in each region in relation to the risks to ensure we have appropriately identified, recognised and mitigated the key risks.

As we continue to scale operations to head towards profitability the risks will change and the business will continue to evaluate these risks to ensure new risks which have not previously been identified will be captured and risks likelihood and impacts which might have become significant. As part of this we have appointed a Chief Operating Officer to oversee operations across the entire group and manage these risks.

Risk Tolerance	Principal Risks	Appetite Rationale
MODERATE ↓ LOW	**Barriers to sustain the market, Business Disruption Risks, Geopolitical Risks**	As a medical device company, we develop solutions that tackle unsolved problems, often by applying new technology. The technology risk we assume takes into consideration our stakeholders' interests and is commensurate with the potential returns from our product pipeline and intellectual property's assets. The Group has a measured approach to projects and acquisitions and will take an appropriate level of risk commensurate with the potential returns and availability of capital.
	Operational Risks, Executive and personnel Risks, Financial and going concern, IT and Cyber Security, Environmental	The nature of our business means that we are exposed to operational and climatic risks that are beyond our influence but where possible, we take steps to mitigate the impact of these risks on the business. The Group recognises the importance of its supply chain and seeks to minimise risks within its supply chain which would compromise quality and service for its customer.
	Breach of legal and regulatory requirements, Product Liability Risks	Creo operates in the healthcare sector which is highly regulated, where patient welfare is paramount. The Company has a very low tolerance to risks of breaching legal, regulatory or ethical standards or anything which could negatively impact on our people's health, safety and wellbeing, the communities where we are present, our reputation or that of our customers.

Risk Management...*continued*

The table below sets out those principal risks and uncertainties which, in the Directors' opinion, are most relevant to the Group. We have shown the movement of impact and probability of each risk against the risk reported in the previous year.

Whilst the business puts in place mitigations to reduce the probability of any risk arising and the impacts of any such risks, it is not possible to remove all risk. Further, additional factors could affect the likelihood or impact of risks as the business progresses on its commercialisation journey; for example an increase in revenue may increase impact; or increased product sales may result in product liability risks become inherently more probable and thus having a greater impact on the business.

Principal Risk and Impact	How we manage the risk	Probability movement	Impact 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 local industry and through our Clinical Education Programmes. ► Benchmarking prices of products in local markets. ► Extensive IP portfolio to protect our core technology in the market. ► Clear marketing strategy targeting individual markets. ► Development of our Kamaptive Technology, our suite of compatible devices and our Kamaptive Licensing Programme.	⟷	⟷
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 Speedboat Inject, MicroBlate Fine, MicroBlate Flex and SlypSeal Flex devices in addition to the CROMA platform. ► Work with local advisors to keep abreast of the development of regulations and requirements.	⟷	⟷
Operational Risks Risk that Creo is impacted by supply chain issues, manufacturing delays or lack of manufacturing capacity, product defects, supplier dependence.	► Chief Operating Officer* appointed to oversee all operations across the Group. ► Preventative maintenance plan to ensure out products are calibrated and maintained, both before and once they enter the market. ► Strategic purchasing of key components and careful monitoring of resource requirements. ► Review of at risk suppliers and alternatives identified to ensure minimal disruption if supply chain issues arose. ► 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 may be liable to be fined for a breach of relevant data protection legislation.	► Remote servers across multiple sites reducing reliance on a single site. ► VPN across the business ► Key application being migrated to the Cloud. ► 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 necessary for the Group to achieve its objectives.	► Appraisal process set up to maximise employees' potential and aid their development. ► HR Director overseeing the Group and implementing processes and policies. ► Leadership and management training to empower management and enhance performance. ► Benchmark benefits package across industry roles to ensure competitive. ► Identify points of failure ("PoF") within the business if someone were to leave and mitigate these PoF. ► 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 US. ► 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. ► Third party and OEM/OBL products manufactured to ISO standards with audits undertaken.	⟷	⟷
Business Disruption Risks Brexit may cause issues with supply chain, increase export and import prices, cause delays in selling/ purchasing goods. COVID19 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 local and global developments, including Brexit, COVID19, the war in Ukraine as well as the cost of living crisis and assessing the potential disruption impacts this could have and mitigating these where possible.	⟷	⟷
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.	► On track with budgeted initial cash requirements. ► 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. ► Creo Europe (previously 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 five year forecast every six months to ensure sufficient cashflow.	⟷	⟷

* Non-Board appointment

The Strategic Report was approved by the Board of Directors on 25 April 2023 and was signed on its behalf by

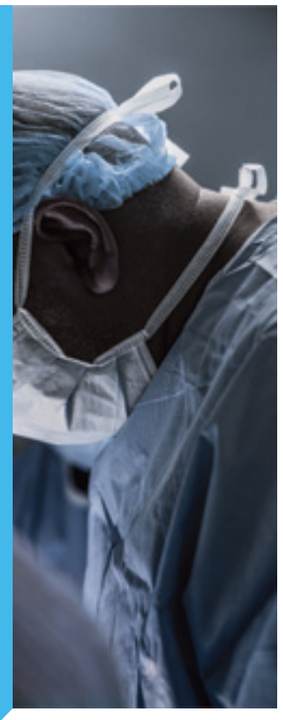
Richard Rees
Chief Financial Officer
25 April 2023

Sustainability Report

CLINICAL CASE STUDIES

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

SCAN THE QR CODE TO READ OUR CASE STUDIES



Sustainability Strategy

Our Mission: To Improve Patient Outcomes

Creo's sustainability strategy focuses on three key areas where we believe we can make the greatest impact, underpinned by our strong governance framework and aligned with our overall mission to 'Improve Patient Outcomes.'

Healthcare Impacts: Ensuring what we do has a positive impact on our patients, clinicians and the healthcare industry through championing innovation and ensuring quality outcomes.

People and our Communities: ensuring what we do has a positive impact on our people and communities through promoting diversity, equality and enhancing opportunities within the business and wider communities

Our Planet: ensuring that the actions we take as a business mitigate our environmental impact and work towards and contribute to global targets

Supporting the following Sustainable Development Goals

Healthcare Impacts	People & Communities	Our Planet
KEY FOCUS		
► Advancing technology in the field of therapeutic endoscopy ► Helping to tackle waiting times and rising healthcare costs ► Enhancing clinician education and skills	► Create a safe, diverse workplace where innovation and collaboration can thrive ► Supporting our communities and local schools to further education	► Achieve net-zero across our Scope 1 & Scope 2 emissions by 2027 ► Achieve net-zero over Scope 3 emissions by 2035 ► Enhanced sustainability reporting and communication
OUR PROGRESS		
► £10k savings per procedure in NHS ► Kamaptive pioneering technology opening up new treatment pathways using advanced energy ► Quality training which goes above and beyond the industry standard	► Investment in new office facilities in UK and Spain ► Appraisal & wellbeing workshops to maximise employee opportunity & mental health ► Over seven charity events attended with over £20k raised for local good causes	► ISO 14001 compliant in three sites across the Group ► 80% of energy comes from renewable sources ► Reporting on Scope 1, 2 and action plan to capture Scope 3
See more on our goals and progress on pages 76 to 77.	*See more on our goals and progress on pages 78 to 81.*	*See more on our goals and progress on pages 82 to 85.*
GOVERNANCE		
► Healthcare compliance ► ISO 13485 compliance ► Patient follow up	► Anti-bribery, anti-slavery, money laundering policies and training ► Diversity metrics & monitoring	► SECR compliance ► ISO 14001 compliance ► UN Sustainable Development Goals

- Strong Governance Framework — See our corporate governance report on pages 96 to 100.
- Sustainability Committee set up to guide, monitor and report on progress against strategy. See pages 74 to 75.
- Continuous stakeholder engagement — see our S.172 statement on pages 102 to 105.

Sustainability Statement Explanation

How we Develop our Plan

In order to create and execute a successful sustainability strategy it is important to identify those issues that are most important to Creo, its business and its stakeholders. In turn, this allows us to focus on those matters where we have the greatest opportunity to make an impact and ensure an appropriate governance framework is in place to achieve the strategy.

To gather insights, we engaged with our key stakeholders to gain their insight on the issues of greatest importance for our business and society. These included:

External stakeholders—we sought insight from our patients, clinicians, healthcare providers (including the NHS), suppliers and partners to understand their views of our biggest risks and the opportunities to drive greater value.

Our people—we engaged internal experts from across the business to understand the issues which have the greatest impact on the delivery of our strategy and those which are the highest concern for our stakeholders.

What is clear is that Creo has a significant opportunity to create positive and lasting impacts in the healthcare sector, for the people Creo works with including local communities across the globe and to be proactive in the fight against climate change, minimising the impact we have on our planet. These formed our three key focus areas which, along with our strong internal governance framework, form the basis for our strategy.

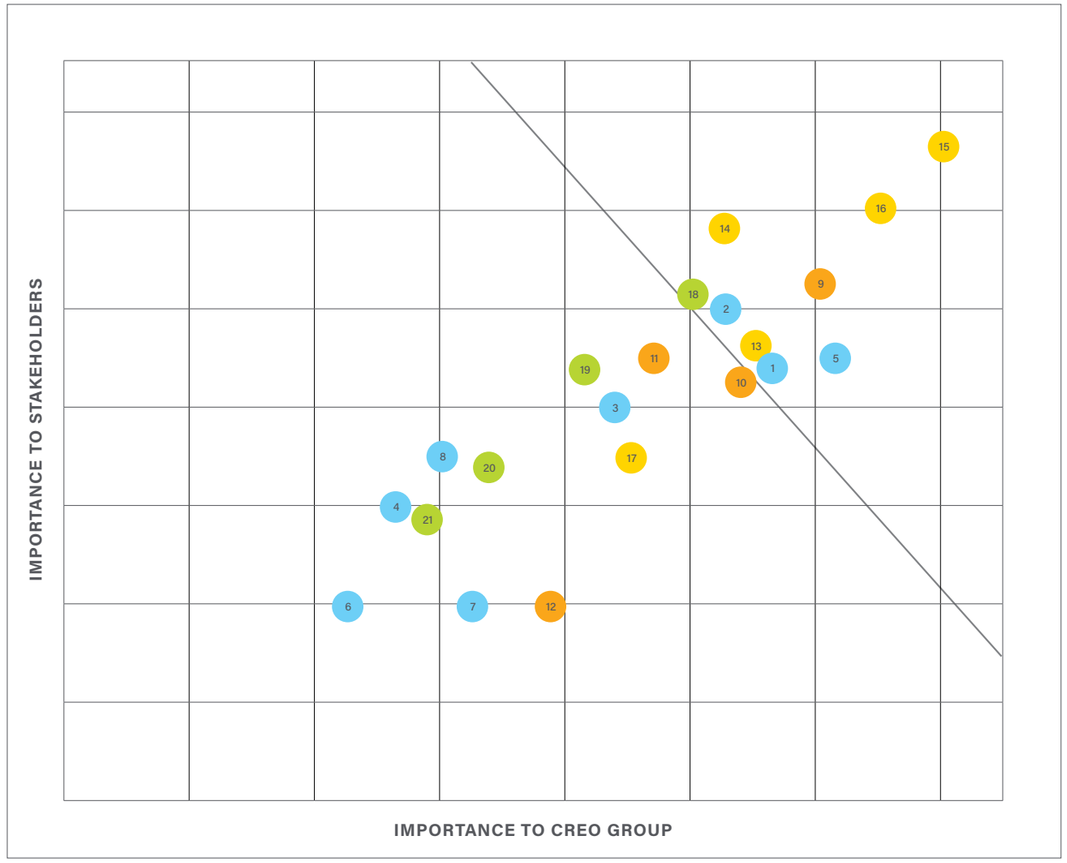
Materiality Assessment

We used the Global Reporting Initiative ("GRI") recommendations on materiality to ensure that our process was conducted according to best-practice reporting standards.

Through this process we identified 21 material issues. We also combined the results of the materiality exercise alongside the prioritised issues identified by the UN Sustainable Development Goals ("SDGs") to guide the development and focus of our materiality assessment.

NO.	MATERIAL ISSUES
1	Supply Chain Management
2	Governance, Ethics and Compliance
3	Data Protection and Cyber Security
4	Responsible and Transparent Sourcing
5	Risk Management and Mitigation
6	Hazardous Materials
7	Sustainable Logistics and Product Distribution
8	Ethical Animal Trials
9	Diversity, Inclusion and Equal Opportunities
10	Employee Engagement, Attraction and Development
11	Occupational Health, Safety and Wellbeing
12	Community Engagement
13	Accessibility of Products
14	Clinician Experience and Development
15	Patient Outcomes
16	Innovation, Research and Development
17	Collaboration and Partnerships
18	Climate Change and Energy Use
19	Recycling and Waste
20	Product Life Cycle
21	Water Use and Efficiency

SUSTAINABILITY PILLARS			
Healthcare Impacts	Our People & Communities	Our Planet	Governance



Healthcare Impacts

Our focus on healthcare impacts aligns with the following UN SDGs

Ensuring what we do has a positive impact on our patients, clinicians and healthcare industry through championing innovation and ensuring quality outcomes. This was recognised as an area of specific focus due to the unique opportunity Creo has to make a positive impact in the following ways:

Advancing Technology

Everything Creo does has one main aim, to improve patient outcomes. In order to do this, current treatment pathways will need to adapt through continued innovation, challenge and collaboration. We do this through the following ways:

Our products—we are constantly identifying new treatment pathways for our products such as Speedboat Inject. Since the introduction of Speedboat Inject we have expanded into further indications.

As well, we are constantly innovating to make our product better and more accessible. Our new slimmer Speedboat Inject device which launched in November 2022 is a perfect example of this.

Collaborating with others in the industry—sharing our knowledge and technology with partners allows innovation within the industry and will help lead to new products and pathways not yet available. We have currently partnered with CMR, Intuitive and IQ Endoscopes with the aim of identifying new technologies and disrupting the market norm.

Being at the forefront of innovation—Creo is constantly at the forefront of innovation and has been recognised in the industry as a leader in innovation. Our CTO and founder Chris Hancock recently won the inaugural Technology Innovator of the Year Award at European Microwave Week.

Tackling Waiting Lists and Rising Healthcare Costs

Whilst our mission is to improve patient outcomes, our technology has been proven to have the potential to reduce procedure times and remove the need for long hospital stays. Further, results from our health economics data shows savings of up to £10,000 per procedure in the NHS. See page 43 for further details.

We are not limiting our benefits to just the NHS or first world countries, but are actively looking to help ease healthcare pressures and improve patient outcomes globally. We want as many people to have access to our technology as possible.

To achieve this we have supported clinicians to perform procedures and introduced our technology in a number of countries including Chile, Ecuador, India and Israel. With a focus not just on the markets we have a direct presence in but all across the world, we believe we can make a significant impact on the pressures faced by healthcare providers across the globe and help to tackle healthcare inequality between regions.

Training that goes beyond expectations

Quality is of paramount importance to Creo and the products and training we provide. As well as complying with ISO 13485 Medical Devices certification and relevant healthcare compliance, we strive to provide training and education long after the clinicians pass the required level of proficiency.

Our Pioneer Clinical Education Programme champions this quality and follows users through multiple cases to ensure the patients receive the best care and we prevent any avoidable adverse impacts. Follow ups with patients and clinicians allow us to obtain valuable feedback to enhance future patient experience and clinician training.

How We Govern

- Healthcare compliance
- ISO 13485 compliance
- Clinical Training Policy
- Technology Patents

Scan the QR code to see more on our health economics

Case Study:

Speedboat Inject

Thanks to the advanced capabilities of Speedboat Inject and the world-leading complex polyp service it has facilitated at NHS East Kent Hospitals Trust, Chris' lesion was removed endoscopically, en-bloc and with **no pain to the patient**. He left the hospital the following morning and was back in the gym in no time. **Histology showed the procedure to be curative**.

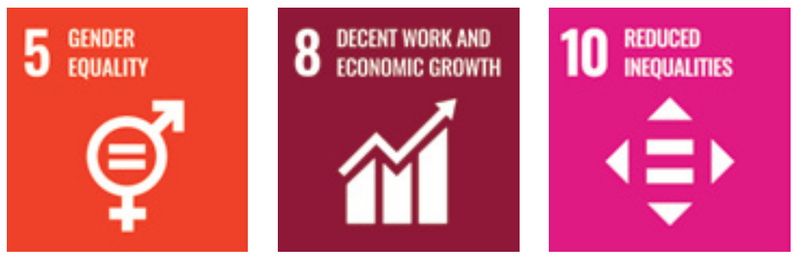
Read Chris' story on page 33

What's next?

- Release latest version of products to expand procedural capability
- Develop global accessibility to treatments through market penetration in developing countries
- Continue to invest in new treatment pathways
- Continue growth in our professional education programme

Our People and Communities

Our focus on our people and communities aligns with the following UN SDGs



Our people are the lifeblood of our business and the driving force behind the innovative work we do within the healthcare sector. We are committed to ensuring our recruitment, talent assessment and development processes can identify the best people for the roles irrespective of any personal characteristics.

Creating a safe and inclusive environment which fosters innovation

We recognise the importance of providing state of the art facilities and space for our people to collaborate face to face, share ideas and meet other members of the team.

We have recently expanded our new office in Chepstow to complement our offices in the US and Singapore, with state-of-the-art training facilities, collaborative workspaces and R&D laboratories. This has allowed our employees to come back to the office post-COVID19 on a flexible basis and collaborate with other departments fostering innovation and inclusion within the Creo family.

Online workshops and meetings are held with our international colleagues on a regular basis to ensure everyone feels part of the Creo family and that we are all working towards the same goals.

To ensure a safe and inclusive environment we have the following policies and workshops in place:

- Diversity & Ethical Behaviour Training
- Menopause Awareness Workshops
- Employee team building days
- Equality, Diversity & Inclusion Policy (including respect for human rights)
- Whistleblowing Policy
- All hands meetings

We are committed to creating a diverse workforce and working towards gender parity in senior positions within the business. We are committed to ensuring that all disabled persons whether newly hired or who have become disabled during employment, have appropriate support, training, career development and promotion opportunities.

Sickness 3% 2022

Employee wellbeing

Employee wellbeing is of paramount importance to Creo, particularly in light of recent global events such as the COVID19 pandemic, the war in Ukraine and the cost-of-living crisis.

Happy and healthy people perform at their best. This is why we implemented a range of tools to help support our employees.

- **Mental Health First Aiders**—trained individuals provide a channel of confidential and non-judgmental support to employees who may require some assistance or simply need to chat.
- **Employee Assistance Programme**—employees have access to our free and confidential online and telephone support service (Unum LifeWorks). Support topics include bereavement support, financial wellbeing, mindfulness, elder care and more.
- **Beam Development and Training and Awaken Wellbeing Services**—Creo has engaged with a professional wellbeing coach in order to provide one to one telephone and online support to employees to help promote positive wellbeing and avoid burn out.
- **Wellbeing Sessions**—webinars covering a variety of topics including Menopause in the workplace, Understanding and managing stress and the importance of boundaries at home and work. Training has been provided in locally appropriate language and tailored content.

As well as the above programmes we have also introduced Aviva Digicare and Unum Help@hand alongside our current health services provided. This provides our UK employees with:

- **Annual Health Check**—a home-based test examines 20 different health markers to help identify problems early, including diabetes risk, cholesterol status and liver health.
- **Digital GP**—a private doctor service offering our employees quick access to clinical advice and guidance, through up to three sessions a year.
- **Nutritional Consultations**—our employees can have up to six consultations a year with a nutritional expert, including advice and guidance on delicious healthy eating plans.
- **Mental Health Consultations**—tailored advice from mental health professionals if there's any issue—home or work related—our employees need to talk over, including bereavement support. Employees get access to six Mental Health Consultations a year, with an additional six bereavement consultations.
- **Physiotherapy**—our employees and their partners can have up to eight sessions a year between them with a physiotherapist who will give them bespoke exercises normally via video consultation.
- **Second Medical Opinion**—helps our employees get two expert second medical opinions a year and treatment plan from a UK-based clinician after an initial diagnosis.

These programmes help to keep our staff in the best condition and help to reduce sickness within the workplace.

Our People and Communities*...continued*

Accidents per 100,000 hours
2021 0.67 vs. 2022 **0.33**

Health & Safety

Physical health is also key to ensuring we provide our colleagues a safe place to work. During the year we have:

- Introduced a red tagging exercise
- Additional sharps bins for disposals
- DSE homeworking assessments
- New near miss reporting portal
- RoSPA Award

Challenging & Rewarding Careers

We always strive to get the best out of our employees and ensure they are reaching their full potential. This year we have introduced our Appraisal process. Every employee within the business will have an appraisal where their strengths and development areas are identified and goals are set to help them achieve their potential. We have run appraisal workshops to ensure employees understand how to get the most out of their appraisals and managers understand how to set SMART goals.

We keep our employees aware of our success stories with patients through regular communication to help remind them of the purpose of the business and difference they are making to people lives.

Retaining and attracting the best talent is key to achieving our strategic goals. We offer various employee benefits including:

- Share Incentive Plan
- Cycle to work scheme
- Income protection
- Critical illness cover
- Time off for volunteering
- Flexible working
- Healthcare support
- Life Insurance

Employee Voluntary Turnover Ratios
18% 2022

421 Total Volunteering Hours

Community Engagement

We actively encourage our employees to get involved in local community projects, volunteering and raising money for good causes. Some of the projects we have been involved in this year include:

- Tree planting at the local school in Chepstow. Not only did this help offset carbon in the atmosphere it also helped our employees engage with the local community, raising awareness within the community of the work that Creo is undertaking and the career opportunities that it can offer.
- Majorca Bike Ride—Creo employees took part in an overseas bike ride to Majorca over 384km to raise funds for Velindre Cancer Centre.
- Dragon Boat Race—32 of our UK colleagues competed in the Dragon Boat Race based in Bath this year to raise funds for Designability, a charity which designs and creates assistive technology and products for people living with a disability or long term health conditions.
- Jiffy50challenge—A team of colleagues completed the 50 mile cycle to help raise funds for Velindre Cancer Centre and the South West Wales Cancer Fund.
- Rhossili Bay Trek—A group of Creo employees trekked along the coastal path to raise funds for Bowel Cancer UK.
- Creo Medical Europe Charity Dinner—Our European colleagues joined a Charity Dinner to raise funds for a local cancer centre based in Spain.
- Our Global HR Director attended Dene Magna School to offer students mock interviews.
- Our Chepstow head office hosted a class of students from a local comprehensive school to show and inspire them with the work we do and the careers we offer.

£Thousands
Raised for charities and good causes

How we Govern

- **Policies and training via our global learning platform:**
  - Anti-Bribery Policy
  - Whistle Blowing Policy
  - Money Laundering & Anti Bribery
  - Equality & Diversity Policy
- **Benchmarking pay and benefits to industry standard**
- **Diversity & behaviour in workplace training**
- **Appraisal process**
- **Exit interviews**
- **Analysis of key workforce data including sickness, leavers, hires, promotions and pay parity**

What's next?

- Examining ways to improve employee value proposition
- Undertake employee surveys to track scores and measure progress
- Continued community engagement

Our Planet

Our Planet

Our focus on the environment aligns with the following UN SDGs

It is key that we all minimise our impact on the environment, including Creo and its employees. As a business we want to ensure that the actions we take minimise our environmental impact and work towards and contribute to global targets. We recognise that as our business grows so will our impact on the planet, however we also recognise that we have an opportunity to reduce or mitigate the negative impacts and an opportunity to create positive impacts along the way.

Our emissions and energy usage

As an evolving business we recognise the challenge in setting internal targets and want to ensure that any targets we set we can reliably measure, report on and actually have a positive impact. Our initial targets therefore focus on achieving net-carbon neutral by 2027 across our Scope 1 and Scope 2 emissions and net-zero for Scope 3 emissions by 2035. Further targets will be implemented as our strategy and data capture evolves.

Scope 1 & Scope 2 Emissions

We have put in place systems and controls to capture our Scope 1 & Scope 2 emissions and record this data on a regular basis. Using this data we are able to understand the impact from a Group perspective. We currently have data for all UK sites and are close to having data for all global sites across Europe, the US and APAC regions. We anticipate having all Scope 1 & Scope 2 data across all sites by the end of 2023.

Scope 3 Emissions

We recognise the challenges posed by obtaining Scope 3 data, particularly from third parties and indirect impacts. We have started to gather the appropriate data for these and have implemented the following timeline in relation to Scope 3 data and disclosures.

Although we are not required to disclose Scope 3 data under current regulations, in line with best practice and TCFD and SECR guidance we have chosen to disclose the 2022 Scope 3 emissions for our Business Air and Land Travel from our Chepstow and Bath sites.

In order to understand and reduce our Scope 3 emissions we need to have a clear understanding of our supply and value chain. We have begun this process through identifying suppliers which currently hold ISO:14001 certificates to understand if they are working to reduce their emissions.

80% of UK sites now run entirely on green electricity

UK Emissions[1]

	METRIC	2022	2021
SCOPE 1			
Emissions from facilities[2]	Tonnes / CO_2e	15.3	6.3
Emissions from vehicles[3]	Tonnes / CO_2e	1.3	0.6
		16.6	**6.9**
SCOPE 2			
Purchased Electricity[4]	Tonnes / CO_2e	8.3	27.1
		8.3	**27.1**
Energy Consumption[5]	GWh	0.25	0.12
Intensity Metric[6]	Tonnes CO_2e / Revenue £m	1.03	30.79

DISCLOSURE TIMELINE

Sites	Scope 1	Scope 2	Business Air Travel	Business Land Travel	Upstream Emissions	Downstream Emissions
UK	2022	2022	2022	2022	2023	2024
Global	2023	2023	2023	2023	2024	2025

UK Emissions[7]

	METRIC	2022
SCOPE 3		
Emissions from business air travel[8]	Tonnes / CO_2e	411.9
Emissions from business land travel[8]	Tonnes / CO_2e	22.2
		434.1
Intensity Metric[9]	Tonnes CO_2e / Revenue £m	216.0

1 CO_2 per units for 2022 were calculated using the metrics provide by the suppliers directly. CO_2 per units for 2021 were calculated using data from Energy and Carbon Conversions 2021 Update by Carbon Trust UK as the direct data was not available.

2 Facilities in 2022 include all UK facilities, facilities in 2021 only include our Chepstow and Bath offices as the other data was not available.

3 The 2022 emissions include vehicles owned by UK all UK entities, the 2021 emissions include only vehicles owned by Chepstow and Bath sites.

4 Purchased electricity for 2022 includes all UK sites, purchased electricity for 2021 only includes data for our Chepstow and Bath sites.

5 Energy consumption for 2022 includes all UK sites, energy consumption for 2021 includes only data for Chepstow and Bath.

6 Intensity metric is based on revenues. We believe this to be appropriate metric as it will help us monitor our progress as the company continues to grow. The 2022 revenues include revenues from all UK sites. 2021 revenue includes revenue from Chepstow and Bath sites only.

7 Scope 3 emissions for Chepstow and Bath site only.

8 CO_2/Mile was calculated using direct data from travel provider and the CO_2 per mile from Department for Transport 2020.

9 Revenues from Chepstow and Bath sites only.

Our Planet...*continued*

Action to Reduce Our Impact

Despite our strategy and wider industry progress being in its infancy we have already made great strides in reducing our impact on the planet through the following:

- Obtained ISO: 14001 in Chepstow and Bath offices
- Installed LED lighting across our UK offices leading to an 80% reduction in CO_2 emissions per light
- 80% of the Group's electricity currently comes from renewable sources
- Revised our soak test requirements when manufacturing our CROMA platform to save 5.4kWh per generator
- Installed electric vehicle charging points at our Chepstow site
- Planting of trees within the UK and overseas to help offset emissions through business travel
- Smart travel campaign to raise awareness of types of business travel and the CO_2 each produces
- Bike to work scheme

We are also in the process of implementing the following, which we expect to be completed in early 2023:

- Supply chain analysis of supplier impacts
- Carbon calculator

Water & Waste

Although we do not use a significant amount of water we still track the amount of water usage across the Group and look for ways to reduce our water usage. We have undertaken an analysis to ensure that we do not operate in any water deprived areas and monitor the amount of water used throughout the business.

ISO 14001 is an internationally recognised standard for Environmental Management Systems and demonstrates Creo's commitment to Environmental Management.

We now segregate all wastes at all our offices including batteries, WEEE, hazardous materials, sharps, and clinical waste etc. We have now implemented flexible working practices and we asked staff to return any waste electrical items, batteries, etc. to the workplace so it can be recycled as part of our business waste.

Waste Electrical and Electronic Equipment ("WEEE")

As a producer we place electrical items onto the UK market which will eventually become waste. We understand our obligations to manage this, both morally and legally. We have joined a producer compliance scheme ("PCS") to support and assist our efforts. Under the relevant laws, we are considered a small producer as we place less than five tonnes of electrical product onto the market annually. This allows us to register with the European Agency direct. However, we have chosen a PCS to handle our registration so that we receive timely and effective guidance as our business develops and additional obligations come into force.

Regulatory Requirements and Frameworks

We keep abreast of the rapidly evolving regulatory environment, particularly around climate change and disclosures. Although we are not required to report on Task Force on Climate-Related Financial Disclosures ("TCFD") we have made significant progress on our disclosures of Scope 1 & 2 emissions and have a clear plan to understand and disclose more detail about our Scope 3 emissions in the next few years.

The implementation of our Sustainability Committee alongside our Risk Committee will allow us to begin to set a clear climate impact strategy along with appropriate scenario testing, identification of opportunities and threats and resilience testing.

We are aware that the IFRS Sustainability Standards Board are planning on issuing the IFRS Sustainability Standards Disclosures which are likely to come into force in the next few years and await to see how these align with the TCFD. The current plans and strategy mean we are on the front foot in this ever-changing environment to be able to meet future and current regulatory requirements as they arise.

How we Govern

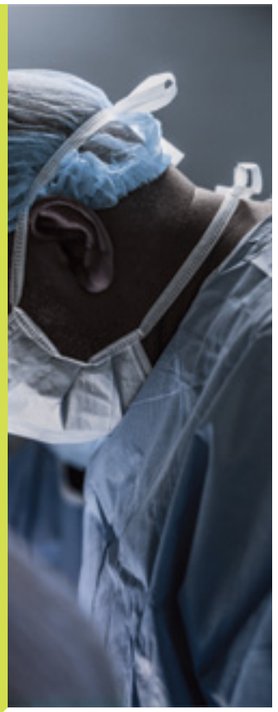
- SECR compliance
- ISO: 14001
- Data capture
- Sustainability Committee
- Producer compliance scheme

What's next?

- Increased Scope 3 data capture and disclosures
- Regional sustainability champions within the business
- Benchmarking of KPIs to industry and competitors
- Continue to save energy in our current business practices

3

Corporate Governance



CLINICAL CASE STUDIES

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

SCAN THE QR CODE TO READ OUR CASE STUDIES

Chair's Statement

Continued Evolution of a Medical Device Innovator

"... a shared culture spanning multiple markets and driving real synergies across the business"
—Charles Spicer, Chair

Overview

Creo Medical continues its evolution from a UK medical device innovator into an international group focused on the clinical and commercial adoption of a full suite of electrosurgical products. With multi-tiered revenue streams and a global reach servicing over 4,800 customers from 14 offices, our core products are now in daily use around the world.

During the year, the Group further embedded its core technologies into its acquired businesses to create a shared culture spanning multiple markets and driving real synergies across the business. This is seen from the launch of our Creo branded consumable products in the US providing additional revenue streams from these synergies. We signed a landmark collaboration agreement with Intuitive Surgical and announced a licence and royalty agreement with CMR Surgical. Consequently, we are now working on both sides of the Atlantic with two of the leading robotic surgery brands to deploy our proprietary technology into new surgical markets that complement our core electrosurgical products.

Notwithstanding this progress, like most companies, we faced economic headwinds fuelled by both war in Europe and global fears around inflation and recession. These hit the equity markets for small-cap, technology companies like ours especially hard and increased as the year progressed and our share price worsened. This resulted in uncertainty over sources of equity finance in the second half of the year but has been addressed, post-period, by the placing, subscription and open offer that completed in March 2023 to raise gross proceeds of approximately £33.7 million. The Directors believe our strengthened balance sheet provides a pathway to cashflow breakeven and profitability and gives comfort to our shareholders, bank debt providers, customers, suppliers and partners.

Sustainability

Creo Medical is committed to best practice in its environmental and social policies under the umbrella term of 'sustainability' which emphasises our core social impact of improving clinical outcomes for patients. Ivonne Cantu leads the charge as the non-exec champion on sustainability and represents the Board on the Sustainability Committee.

The Sustainability Report on pages 70 to 85 outlines the three areas where we believe we can make the greatest impact: by improving outcomes for our patients, clinicians and healthcare providers; by promoting diversity, equality and enhanced opportunities for our people and communities; and by ensuring that the actions we take as a business mitigate our environmental impact on our planet.

Governance

The Company continues to strengthen our governance framework with energetic engagement by the Non-Executive Directors at Board level, through the Board committees and in discussion with shareholders. As detailed in the 2022 Compliance Statement on pages 96 to 100, the Group has adopted the QCA Code of Conduct with its 10 principles to deliver growth, maintain a dynamic management framework, and build trust.

The Board recognise the challenging MDR/MDD environment particularly for relatively new Companies and the uncertainties that arise from this. Therefore, the Directors share a close focus on risk management as the Group develops new products, new clinical procedures, and new markets. The Audit Committee, chaired by John Bradshaw, our Senior Independent Director, meets regularly to review and monitor the financial statements, accounting principles, internal controls and risk management systems as detailed in our maiden Audit Committee Report on pages 106 to 107. The Committee also monitors the relationship with our auditors to ensure independence and objectivity.

The Board continues to seek guidance from our professional advisers, including solicitors, auditors, remuneration consultants and nominated adviser on recommended best practice for AIM companies.

Employees

Creo Medical's staff has grown from just 27 employees in the year before IPO to 284 employees operating in 14 countries spanning Europe, the US and Asia. Approximately 120 employees came from acquisitions we completed in 2020 and 2021.

2022 was a tough year for all our management and employees with challenging delivery requirements set against constrained resources and disrupted economies and capital markets.

A reorganisation reflecting the transition of the Company towards operational focus means we have had to say goodbye to some great people who have helped us get where we are today.

The Board would like to thank all these employees along with the Creo Medical team for their hard work, commitment and patience during the year which laid the foundations for the successful equity raise and therefore the exciting next stage of our evolution.

The Group promotes an entrepreneurial employee culture guided by five values: collaborative, creative, disruptive, 'can-do', and life-changing patient outcomes. The Remuneration Committee, chaired by Ivonne Cantu, aims to implement a remuneration policy that promotes long-term success, consistent with our culture and values and that is aligned with the interests of our shareholders and other stakeholders. Further details are included in the Remuneration Report on pages 108 to 117.

Shareholders

While the Company's frustrating share price performance during 2022 can be partly blamed on the external factors outlined above, it was exacerbated by its weakening balance sheet and uncertainty over future sources of capital. This necessitated frequent discussions between the Company and its shareholders to determine the best route forwards. These resulted in the equity raise in Q1 2023 that was oversubscribed by both existing and new shareholders. The Directors extend heartfelt thanks to our fellow shareholders for this engagement and support in exceptionally challenging market conditions.

Outlook

Our CEO, Craig Gulliford, has outlined in his report on pages 12 to 13, the Group's ambitions to become a premier global medical devices company transforming many thousands more lives. With a now strengthened balance sheet and clear targets for the next few years, management and staff can focus on these bold ambitions. Meanwhile, we will continue to build systems for governance, sustainability, and remuneration that are well aligned with the ambitions of all our stakeholders.

Board of Directors

NON-EXECUTIVE DIRECTORS

Charles Spicer
Chair

Charles is an experienced director of public and private companies, especially in the MedTech sector. He is also Chair of IXICO plc and Korn Wall Limited (KwickScreen). He is the Chair of the UK Department of Health's Product Development Awards Selection Panel B for Invention for Innovation (i4i).

Charles 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
Senior 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.

Board of Directors*...continued*

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.

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.

Professor Christopher Hancock
Chief Technology Officer

Chris is the founder of Creo Medical and has over 25 years' experience in medical device innovation, design and development.

Chris holds a personal chair in the Medical Microwave Systems Research Group at Bangor University. Chris is a Fellow of the Royal Academy of Engineering, a Fellow of the Learned Society of Wales, a Fellow of the Institute of Physics, and a Fellow of the Institute of Engineering and Technology. He is also a Chartered Engineer, a Chartered Physicist and a Senior Member of the Institute of Electrical and Electronics Engineers. Chris is a Royal Academy of Engineering Visiting Professor at UCL, and an Honorary Professor in the School of Medicine at Cardiff University.

Chris was awarded the Institute of Physics Katherine Burr Blodgett Gold Medal and Prize in 2019 for work on Creo's CROMA Advanced Energy Platform technology and the Inaugural Junkosha Technology Innovator of the Year prize and award in 2022.

Chris is a named inventor and lead author on over 1,200 worldwide granted patents, pending patents and international journal publications in the use of electromagnetic energy for medical applications.

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 and commercial experience, market understanding and a proven track record of achievement to Creo. He has also previously sat on multiple MedTech boards over the years. He was awarded the American Society for Gastrointestinal Endoscopy President's Award in 2010, recognising exceptional contributions to the society and its mission.

Directors' Report

The Directors present their report together with the audited consolidated financial statements for the 12 months to 31 December 2022. 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 2022 are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on page 126.

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 Statement on pages 12 to 13;
The Chief Technology Officer's Statement on pages 60 to 61;
The Chief Commercial Officer's Statement on pages 16 to 17;
The Chair's Statement on pages 88 to 89; and
The Financial Review on pages 62 to 65.

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 overall strategy, details of the commercial activity undertaken 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 108 to 117.

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 108 to 117.

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 pages 155 to 166.

As at 31 December 2022, 181,545,885 fully paid Ordinary Shares were in issue. Following the completion of the post period fundraising on 8 March 2023, 350,891,272 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 2022, 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	26,082,158	14.37
Finance Wales Investments	12,776,727	7.04
Baillie Gifford	12,537,441	6.91
Capital Group	11,533,623	6.35
Creo Medical Group EBT	10,000,000	5.51
M&G Investments	9,428,500	5.18
AXA Framlington Investment Managers	7,992,961	4.40
Hargreaves Lansdown, stockbrokers (EO)	6,753,632	3.72
Tellworth Investments	5,772,778	3.18

1 Information obtained from an analysis of Creo Medical's share register (dated 31 December 2022) 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 2022 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 150 to 153. 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 themselves 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 56 to 61. Significant events which have occurred since the end of the financial year have been included in Note 27 of the consolidated financial statements on page 158. Streamlined Energy & Carbon Reporting (SECR) has been disclosed in the sustainability report on page 83.

Auditor

PricewaterhouseCoopers LLP ("PWC") was reappointed as auditor at the last Annual General Meeting of the shareholders, in accordance with Section 489 of the Companies Act 2006.

On behalf of the Board

Richard Rees
Director

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

25 April 2023

Corporate Governance Report

2022 Compliance Statement

Introduction

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

This statement provides a summary of how Creo endeavours to comply with the 10 principles of the Code (as in force at the date of this statement) taking into account Creo's stage of development and its available resources. In addition to the Code, Creo seeks guidance from its professional advisors including its solicitors, auditors, remuneration consultants and NOMAD on recommended best practice for AIM companies at a similar stage of development.

Creo's mission is to improve patient outcomes by applying advanced energy to the emerging field of surgical endoscopy. We aim to deliver value to all stakeholders, including:

- patients, by improving patient outcomes by bringing advanced energy to flexible medical devices;
- customers, by developing products with the aim of reducing procedure times and costs;
- business partners, by interacting in an ethical and equitable manner;
- employees, by offering rewarding careers with support and encouragement to allow everyone to fulfil their potential; and
- shareholders, by deploying capital against a well thought through and measured business plan to achieve long-term, sustainable growth.

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, enhance long-term value generation and underpin Creo's long-term objectives.

The Quoted Companies Alliance Corporate Governance Code is constructed around 10 principles, taking key elements of good governance and applying them in a manner which is workable for the needs of a growing company in pursuit of medium to long-term value creation for shareholders.

Each principle is set out below along with a commentary of Creo's compliance. To the extent an explanation of Creo's compliance for one principle is 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. The Company's vision is to improve patient outcomes through the development and commercialisation of a suite of electrosurgical medical devices, each enabled and powered by Creo's proprietary adaptive technology.

Pages 20 to 21 set out our strategy and business model and provide details on how we aim to promote long-term shareholder value. Creo's commercial focus is the increase of clinicians trained in the safe use of its core technology and the conversion of those clinicians into regular users. In addition, as part of Creo's Kamaptive Licensing Programme, Creo has entered into agreements with a number of partners pursuant to which it will develop and license its technology, providing additional income streams to the business and enabling third party products to benefit from Creo's technology and expertise. This ensures that as many people as possible can benefit from Creo's technology and that shareholders derive maximum returns.

Any new initiatives, partnerships or variations to Creo's core strategy are communicated in a timely manner to shareholders via the RNS through ad-hoc releases, trading updates and/or interim results announcements.

2. Seek to understand and meet shareholder needs and expectations

Creo is committed to open communication with all shareholders to ensure that its strategy, business model and performance are clearly understood. Understanding what shareholders and analysts think about Creo and, in turn, helping shareholders and analysts understand our business and addressing any specific concerns that they may have, best places the Board to drive Creo's business forward.

Creo primarily communicates to its shareholders through the RNS, shareholder presentations and via the Annual Report and interim reporting process.

Institutional Shareholders

The Directors engage with our institutional shareholders regularly, and in any event meets with institutional and other significant shareholders at least twice annually through the results roadshow processes. This allows members of the Board to develop an understanding of their views and concerns and provides a forum for the Executive Directors to update shareholders on strategy, the Company's performance and the evolution of its business.

The Chair also meets with institutional shareholders separately from the Executive Directors. In addition, our Senior Independent Director and committee Chairs are also available to meet with shareholders on request to discuss specific areas of concern.

Private Shareholders

Creo's AGM is the principal in-person forum for dialogue between private shareholders and the Board. All shareholders are invited to attend Creo's Annual General Meeting where they can meet with the Directors and understand and exchange opinions on the direction of the Company. The Executive Directors, Chair of the Board and all other Directors routinely attend the AGM and are available to answer questions raised by shareholders. Copies of our Annual Report and the notice of AGM are sent to all shareholders at least 21 days before the AGM. Copies of these documents, along with other information for shareholders, are also provided on our website.

The results of the AGM are released via the RNS as soon as practicable after the conclusion of the meeting. This announcement also provides, for information, details of the total number of votes in favour of each resolution. At our 2022 AGM all resolutions put to shareholders were duly passed.

Along with broker analysis, Creo retains the services of Proactive Investors and Edison Research to provide research and commentary on the business.

3. Take into account wider stakeholder and social responsibilities and their implications for long-term success

Creo's key stakeholders are our patients, customers, employees and workers, business partners, suppliers, shareholders and the wider communities in which we operate. The Board takes into account wider stakeholder and social responsibilities when making its decisions. Our Annual Report includes examples of how the business takes into account the needs of our wider stakeholders when taking key decisions.

Creo is a socially responsible company with ESG at its core. Our Sustainability Report is set out on pages 70 to 85.

4. Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Board is responsible for maintaining a sound system of internal financial and operational control and the ongoing review of its 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;
- A rigorous quality management system which 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 which are reviewed and challenged by the Company's Audit Committee.

Creo 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.

Corporate Governance Report...*continued*

The Company maintains a risk register which is reviewed regularly through a working committee within the business and ultimately by the Board who appraises external and internal threats and determine the necessary steps required to be taken to mitigate those risks. Principal risks and uncertainties that may affect the business are set out in more detail on pages 66 to 69 of this report.

The business is supported by a number of professional advisors, including its patent agent, solicitors and legal advisors (both internally and externally), product regulatory advisors, auditors, accountants, NOMAD and its insurance brokers. All advisors provide relevant advice to the business to allow it to identify and mitigate risk accordingly.

Maintain a Dynamic Management Framework

5. Maintain the board as a well-functioning, balanced team led by the chair

Creo has a strong and effective leadership team. Creo's Board comprises an Independent Non-Executive Chair, 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 are set out on pages 90 to 93.

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 Chair*
John Bradshaw, *Senior Independent Non-Executive Director*
Ivonne Cantu, *Non-Executive Director*

The Board delegates certain duties to an Audit Committee and a Remuneration Committee, all of which operate within clearly defined terms of reference and, where applicable, in accordance with the Code. Further information on our Board committees can be found on our website. The Board does not currently have a Nomination Committee or Disclosure Committee as matters which would be considered by these committees are undertaken by the Board as a whole.

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 2022 AGM, Prof. Christopher Hancock and John Bradshaw both stood for re-election. Both resolutions were duly passed.

Charles Spicer is Creo's Independent Non-Executive Chair. Charles has a limited shareholding in the Company, via his SIPP, and a limited pre-IPO 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 is Creo's senior independent Non-Executive Director. John has a limited shareholding in the Company, having exercised his pre-IPO share options during the year. The Board does not consider that John's limited shareholding to be significant and 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 2022, the Directors attended the meetings set out above. 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.

Director	Scheduled Board Meetings	Ad hoc meetings*	Audit Committee	Remuneration Committee
Charles Spicer	4/4	8/8	7/7	2/3 (as an attendee)
John Bradshaw	4/4	8/8	7/7	3/3
Ivonne Cantu	4/4	8/8	7/7	3/3
Craig Gulliford	4/4	7/8	–	3/3 (as an attendee)
Richard Rees	4/4	8/8	7/7 (as an attendee)	3/3 (as an attendee)
Christopher Hancock	4/4	7/8	–	–
David Woods	4/4	7/8	–	–

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

Creo's Board members are of sufficient calibre to bring independent judgment 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 is 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.

In addition, the Board has access to senior employees within the business and 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. Creo's reporting processes allow a consistent reporting approach, 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 Chair 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 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. Pages 70 to 85 of our Sustainability Report set out further details of the steps we take in respect of the wellbeing of our employees.

As part of the induction process, all employees are provided with details of Creo's policies and procedures that promote and support ethical values and behaviours. Creo's HR team continually monitor and support employees on their working practices and provide timely reminders and updates on policies and procedures, including formal online training. Breaches of Creo's policies and procedures are reported to relevant line managers and ultimately to the Board to ensure that matters are dealt with in a timely and fair manner. In addition, Creo 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 Chair of the Board.

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.

Corporate Governance Report...*continued*

9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the board

As Chair, 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.

The Board seeks to meet regularly, but in any event holds 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 delegates certain duties to Board Committees, all of which operate within clearly defined terms of reference and, where applicable, in accordance with the Code. Further information on our Board committees can be found on our website.

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 Chair 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.

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.

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, 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 Chair of the Board.

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.

On behalf of the Board

Richard Rees
Director

Statement of Directors' Responsibilities

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.

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the group's and parent company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group's and parent company's auditors are aware of that information.

Engaging with Stakeholders

Section 172(1) Statement

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 impact on each stakeholder group is carefully considered by the Board of Directors (the "Board").

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 key when making strategic decisions. The Company is developing and commercialising technology and products to address long-term clinical needs for which sizeable addressable markets have been identified. See page 23 for further details of these markets.

(b) The interests of the Company's employees:
Creo's employees are core to our success. As a significant and critical factor, employee wellbeing and development has continued as a priority during 2022. Our People and Communities section on pages 78 to 81 provides further details on the investment that we continue to make in our employees during the year.

(c) Fostering business relationships with suppliers, customers and others:
The adoption of Creo's core technology requires strong customer relationships which allow Creo to provide support through ongoing clinical education on the safe use of our products. By developing these relationships along with continuing engagement with key opinion leaders ("KOLs"), we seek to ensure that we release products to the market in a measured and controlled manner, reducing the risk of misuse and ensuring our products are customer sponsored for the long term (i.e. through clinical education and peer support by KOLs).

Outside of our core technology, the Group is both a customer and supplier of third party, Original Equipment Manufacturer ("OEM") and Own Brand Labelling ("OBL") products. It is essential that strong, collaborative, and fair relationships with third party partners is built on trust and mutual respect as their success is our success.

Our Kamaptive licence partners are carefully selected to ensure alignment of long-term goals are aligned and that relationships can be built for the mutual benefit of both parties.

(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. We are acutely aware of the impact our operations and products have on the environmental and how we can mitigate this. Our Sustainability Report on pages 70 to 85 provides further details on the steps that we are taking to minimise our footprint and to align our objectives with wider global initiatives.

(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). Please also see our Governance Report on pages 98 to 100 for further details.

(f) The need to act fairly between members of the Company:
The Board recognises that members have different views and objectives. The Board always seeks to ensure that its decisions are equitable and fair as between the members of the Company whilst balancing the interests of 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.

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

Shareholders

Key concerns

- Deployment of capital against a clear strategy
- The development of our product portfolio and its commercialisation
- Growth
- Corporate governance
- Sustainability

How we engage

- Regular communication with institutional and major shareholders, not least to ensure that they understand our strategy and business model
- Our Annual General Meeting ("AGM") and any General Meetings allow shareholders to meet and directly raise concerns and have discussion with the Board
- Investor roadshows following the release of half and full-year results
- Attendance by Directors and employees at a number of investor and sector-specific conferences allow interested parties to have direct dialogue
- Timely and appropriate releases of business information via the RNS and RNS Reach
- Social media updates allowing an insight into the day-to-day activities of the business and its operations

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 to allow a number of communication channels, in particular to assist with home working and cross office communications
- Employees are encouraged to take control of their career development, in line with the longer-term growth of Creo
- During the reporting period we have continued to support, in many areas increased support, in respect of the health and safety and wellbeing of all employees
- Our performance management processes and the promotion a culture of continuous improvement throughout the business
- All employees have the ability to raise grievances and to escalate concerns through our whistleblowing procedures

Engaging with Stakeholders...*continued*

Customers/End Users

Key concerns

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

How we engage

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

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, and recognise that this is beneficial for the whole supply and product ecosystem
- Have dedicated internal resource to ensure we are able 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 seek to engage with local government networks, with the intention of making a positive economic impact on the region
- Where possible, we try to source locally to support our community
- Our Pioneer Clinical Education Programme provides our clinical community the opportunity to further their practice which, in turn, benefits their patient community and thus society as a whole

Key Decisions

Two example decisions taken during the year together with a summary of how the Board has taken into account the factors set out in Section 172 of the Companies Act 2006, are set out below:

Collaboration Agreement With Intuitive

Actions

- Entered into a long-term, multi-year collaboration with Intuitive to optimise certain Creo products to be compatible with Intuitive's robotic technology
- Utilised internal and external resource to negotiate the agreement
- Ongoing deployment of resource to meet obligations under the agreement

Key stakeholder group considerations

- Shareholders—considered the need to develop additional revenue streams from Creo's technology to drive greater long-term business growth
- Employees—by engaging with third party partners, employees gain greater experience and career development opportunities
- Customers/End users—by working with third parties, more opportunity for our technology to be used and improve lives
- Partners, Customers and Suppliers—considered the need for a balanced relationship whilst not limited Creo's ability to work with other partners

Development Of Chepstow Site Following Acquisition

Actions

- Mortgaged the site with Barclays Bank plc
- Utilised funding to develop the site to create additional office, laboratory, training and meeting room space
- Utilised internal and external resource to undertake the work

Key stakeholder group considerations

- Shareholders—deployed capital to further develop Creo's main site to provide sufficient space for expansion and growth. Leverage provided additional capital
- Employees—provided employees with additional facilities to allow closer collaboration in a more collegiate environment
- Community and the Environment—by reinforcing Creo's commitment to its current facilities in Chepstow it provides additional employment opportunities to the local community along with the potential to attract additional companies to locate there as part of the MedTech ecosystem

On behalf of the Board

Richard Rees
Director

Audit Committee Report

Introduction

I am pleased to present the maiden report of the Audit Committee for Creo Medical Group plc, summarising the Audit Committee's role and activities undertaken during the financial year ended 31 December 2022.

Members of the Audit Committee

The Audit Committee members as at 31 December 2022 are John Bradshaw, Charles Spicer and Ivonne Cantu, each being independent Non-Executive Directors. The Audit Committee has been chaired by John Bradshaw since Creo's IPO in December 2016.

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 chair 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 Merrill Lynch. Ivonne is currently director of Investor Relations and Sustainability at Benchmark Holdings plc.

Role and Responsibilities

The Audit Committee has the primary responsibility of:

- Reviewing and monitoring the integrity of the financial statements of the Company (including annual and interim accounts and results announcements) and the accounting principles and practice underlying them;
- Reviewing internal controls and risk management systems;
- Reviewing changes to accounting policies;
- Reviewing and monitoring the extent of the non-audit services undertaken by external auditors; and
- Advising on the appointment of and liaising with the Company's auditors.

The role and responsibilities of the Audit Committee are defined in Terms of Reference ("ToR") which comply with the AIM market admission rules. The ToRs are reviewed annually by the Audit Committee and external advisors to ensure that they are in line with current market practice and guidance and remain relevant for the Company. The ToRs were last updated on 5 May 2021 and are available to download at www.creomedical.com/investors/corporate-governance/. A copy will be made available on request from the Company Secretary.

The Audit Committee maintains an agenda to ensure that all matters for which the Audit Committee is responsible are considered during the year. During 2022, the main matters considered by the Audit Committee included:

- Financial statements and Annual Report review
- Consideration and review of the external audit report and management representation letter
- Review of the interim results
- Going concern assessment and review
- Review of the 2022 audit plan
- Risk management and internal control systems review
- Auditor engagement and meetings (with and without executive representation present) to discuss the above
- Review of the Audit Committee terms of reference
- Review of the Company's Anti-Bribery and Corruption policy and training procedures
- Review of the Company's whistleblowing policy
- Review of the Company's ESG strategy, materiality assessment and disclosure plan

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.

Auditors

The Audit Committee monitors the relationship with the Group's auditors to ensure that independence and objectivity are maintained. As part of its review, the Committee has oversight of the provision of non-audit services by the external auditors which is underpinned by a policy requiring Audit Committee approval for any such services. No non-audit services were provided by the auditor in the reporting period.

In the usual course, the auditors prepare an audit plan for the full-year financial statements, setting out the scope of the audit, areas of special focus, materiality and audit timetable. The audit plan is presented to the Audit Committee for review and agreement prior to the audit work commencing. After the audit of the annual financial statements, the auditors present their findings to the Audit Committee for consideration. Along with the findings from the audit, the presentation includes details of all fees paid to the auditors by the Group during the reporting period along with confirmation of the auditor's independence.

At the end of the meeting, the auditors are given time without executive representation present to allow the auditors to raise any concerns directly with the Audit Committee. No such concerns were raised in the 2022 audit presentation.

The Group does not currently have an internal audit function, however the need to establish such a function remains under review.

Risk Management and Internal Controls

The Group has established a framework of risk management and internal control systems, policies and procedures. Pages 66 to 69 set out further details on the Group's approach to identifying and managing risks.

The Audit Committee is responsible for reviewing the Group's risk processes along with the Group's internal control framework. The Audit Committee is satisfied that the risk and internal controls framework are operating effectively. The Audit Committee is not responsible for the identification of key risks or the review of the adequacy of arrangements to mitigate those risks, which remains the responsibility of the Board.

John Bradshaw
Chair of the Audit Committee

Directors' Remuneration Report

Statement from the Chair of the Remuneration Committee

Introduction

This report covers the activities of the Remuneration Committee during the year, the determination of reward outcomes linked to 2022 and the application of our remuneration policy in 2023.

In 2022 the Company made good progress towards its main strategic objectives of achieving commercial adoption of its core Creo suite of products and developing new distribution channels for its technology through its robotics partnerships, while substantially delivering on the financial, commercial and ESG objectives set at the beginning of the year.

At a macroeconomic level, 2022 was marked by highly adverse conditions in the global geopolitical and economic environment which significantly affected the financial markets in the UK and globally. Smaller growth companies in particular were affected by a change in investor sentiment which constrained the Company's ability to pursue an anticipated fundraising to support its ongoing strategy. This resulted in a material deterioration in the Company's share price contrasting with the Company's solid performance and strategic progress in the year which will drive long term shareholder value.

The Committee acknowledged the resulting experience for shareholders and the impact on the incentive plans in place for the Executive Directors and employees.

Post period end, the Company successfully completed the planned equity fundraising despite prevailing challenging market conditions, raising £32m which places the Company in a solid position to continue to execute on its strategy to achieving profitability.

Activities of the Committee during the year

The Remuneration Committee's principal objective is to implement a remuneration policy which promotes the long-term success of the Company and is aligned to the interests of the Company's shareholders and other stakeholders including its patients, customers and employees. In meeting this objective, the Committee welcomes engagement with all its stakeholders. During the year the Committee met with some of the Company's major shareholders to discuss their views on our remuneration arrangements. We are grateful for the valuable input we received which has been taken into consideration in the review and implementation of our directors' remuneration policy and in the disclosure in this report. We shall continue to engage with our shareholders and other stakeholders on remuneration matters.

Review of the Directors' remuneration policy and disclosure

During the year the Committee undertook a review of the Directors Remuneration Policy (the "Remuneration Policy") and its implementation. The remuneration policy has been designed to adhere to the corporate governance principles set out in the QCA (Quoted Companies Alliance) Code and guidelines taking into consideration the latest market and governance developments. The Committee also undertook a review of the disclosure in the remuneration report with a view to enhance transparency. In conducting these reviews, we sought independent advice from our external adviser, FIT Remuneration Consultants LLP ("FIT Remuneration"), as well as consulting with some of our main shareholders as referenced above. We also took into account the principles of the major proxy voting agencies.

Following the review, the Committee has decided to make certain changes to how we implement the remuneration policy. These include applying a higher weighting to the financial KPI's for the purposes of the annual bonus measures and targets, and adopting forward-looking performance measures and targets to determine the vesting of share awards made under the Long-Term Incentive Plan (LTIP). This is described in detail further below. We have also increased transparency in our remuneration disclosure.

Overview of the remuneration policy

The Remuneration Committee determines pay for the Company's four Executive Directors. The Committee applies a remuneration policy including four components: salary, benefits and pension, an annual bonus subject to performance conditions and an annual share-based long-term incentive award subject to performance conditions. In implementing the policy, the Committee seeks to ensure a close link between pay outcomes, Group and individual performance, and shareholder value creation. On an annual basis the Committee conducts a benchmarking review of the Executive Directors' pay with the support of its external remuneration adviser. In addition, the Committee takes into consideration the views of our shareholders and the remuneration for the broader Group.

The annual bonus scheme for Executive Directors allows for up to 100% of salary to be paid based on the successful delivery against financial, commercial, strategic and ESG objectives. In 2022 financial objectives included revenue and cost control; commercial objectives included the adoption of Creo core products in the market measured by the number clinical sites using Creo products and the total number of regular users, and strategic objectives included delivery against milestones for Company's robotics partnership programme. Further detail on the 2022 measures and targets is presented below.

LTIP and share ownership across the Group

Creo Medical seeks to promote an entrepreneurial culture guided by five values: collaborative, creative, disruptive, "can-do" and life-changing patient outcomes. Aligned to this culture, the Company encourages share ownership including through share-based incentive arrangements for senior management delivered through a Long Term Incentive Plan ("LTIP"), and share ownership plans across the Group including an all-employee HMRC approved SIP. The remuneration policy encourages that the Executive Directors build and maintain a shareholding equivalent to at least 100% of salary. Three of the four Executive Directors meet this criteria.

Executive Directors can be awarded annual share-based incentives of up to 100% of salary through a long-term incentive plan.

Early in its development the company implemented a long term incentive plan across the workforce which has been a key driver behind recruitment and retention, in particular in the early years.

The Company's LTIP is operated through a joint share ownership plan ("JSOP") structure implemented in 2020, whereby the participant and a trustee jointly own the beneficial interest in the LTIP shares under award. The participant is entitled to any value above a share price hurdle set relative to and higher than the share price on the date of award. The trustee is entitled to the value below the hurdle. The participant also has a nominal cost option over the trustee interest. Both elements vest after three years and three months subject to continuing employment. Further information on the operation of the JSOP is included in the table below on page 112.

Directors' Remuneration Report...*continued*

To date, LTIP awards have been based on pre-grant performance conditions on the same basis as the annual bonus, that is by reference to delivery against certain targets in the year prior to grant with vesting subject to retention. For example, in 2021 the annual bonus was 67% of salary, and therefore the face value of the LTIP award was also 67% of salary. The award is priced relative to the share price on the grant date and is subject to a three year vesting period incentivising Management to deliver long term share price accretion and shareholder returns.

Going forward we intend to incorporate, in addition to continued service, forward-looking performance measures as conditions for vesting and fix the normal grant level at a consistent rate as a percentage of salary and de-link it from the level of annual bonus. This change represents a natural evolution of the LTIP plan as the Company fully enters a commercial phase resulting in increased financial visibility. Further details of the LTIP and of the other elements of the Directors' remuneration policy are set out on pages 112 to 113.

Performance and remuneration outcomes for FY2022

The Remuneration Committee assessed the performance outturn for the annual bonus against the objectives set at the start of the year. The Company substantially met its targets in full as set out in the table below with an output against targets of 95%. The Committee was conscious of the need to appropriately recognise the achievements of the management team while considering the overall experience of shareholders over the past 12 months. Taking this into account and acting in consultation with the CEO, the Committee has used its discretion to apply a reduction in the annual bonus outturn for the Executive Directors from 95% to 50% of salary. (FY2021: 67% of maximum (i.e. 67% of salary)). LTIP awards granted in FY2022 were made based on pre-grant conditions mirroring the annual bonus scheme for 2021 achievement. On this basis, in April 2023, the Remuneration Committee granted an LTIP award to the Executive Directors equivalent to 67% of salary in line with the annual cash bonus. No salary increases were awarded to Executive Directors in the year or in the prior year.

Annual Bonus – Metrics Used and Weighting

METRICS	WEIGHTING	FORMULAIC OUTPUT
Financial ► Total revenue and revenue from Creo core products ► Expenditure control	30%	Met in full
Commercial adoption of Creo core products ► Number of regular users and clinical sites using core Creo technologies	30%	Nearly met in full
Strategic ► Signing of robotics partnership agreements and delivery against milestones ► Acquisition integration	30%	Nearly met in full
ESG ► Delivery against ESG programme goals	10%	Met in full
Total	100%	95%

The alignment of the Executive Directors' remuneration and that of all employees across Creo Medical

With input from the Group's Head of People and the CEO, the Committee reviewed and discussed the approach to reward for all employees across the business and the alignment with the Executive Director's remuneration and with the Company's strategy, targets and culture. We seek to ensure that measures, targets and remuneration structures are cascaded through the business as appropriate and that the culture of pay for performance is translated across the organisation. In 2022, c.35% of employees received a bonus based on the achievement of objectives aligned to the Company's overall targets and c.48% of employees participated in share option and/or share incentive plans at 31 December 2022. In addition 63% of eligible employees participated in the UK HMRC approved SIP during the year.

Cost of Living Crisis

Taking into account the macroeconomic backdrop, targeted cost of living increases were implemented for those most in need. The company did not implement a company wide scheme to address the wider impact of the cost of living crisis in 2022 due to the cash constraints in the business and this will need to be addressed in 2023. The average salary increase across all employees in the Group was 3.7%. This percentage also includes adjustments for increased responsibilities. No salary increases were awarded to Executive Directors in the year.

How the policy will be applied for FY2023

Salary and benefits

The Company aims to conduct an annual review of salary and benefits across the Group with salary increases implemented in the second half of the year. This enables the Company to have sufficient visibility of the Company's performance for the year and affordability. As mentioned above in 2022 salary increases were limited to employees most affected by the cost of living crisis and certain adjustments related to increased responsibilities leaving gaps that need to be addressed. In 2023 the Company intends to implement tiered salary increases to address the inflationary environment and cost of living pressures providing more support to those employees on lower salaries and awarding lower salary increases to those on higher salaries including the Executive Directors.

Annual bonus

The maximum bonus opportunity for the Executive Directors will be split between financial, strategic and ESG objectives. In 2023 a greater weighting of 60% will be applied to financial objectives (2022: 30%). This change reflects the stage of development of the Company and engagement with shareholders during the year.

LTIP Awards

Our policy allows for LTIP awards of up to 100% of salary. In 2023 we intend to evolve the LTIP by incorporating forward looking performance criteria including TSR, and an annual grant as a fixed percentage of salary. We plan to transition the framework over two years. In line with our policy, awards will have a three year vesting period and vesting will be subject to continued service and performance criteria being met. A holding period of two years applies from the date of vesting. We intend to engage with our largest shareholders on the changes that we plan to make in FY2023.

Share dilution

The total number of ordinary shares issued and issuable in respect of options granted in any ten-year period under the Company's discretionary share option is restricted to 10% of the issued ordinary shares in any ten-year rolling period. In the financial year ended 31 December 2022, the Company allocated 1,537,212 options on 4 August 2022 (1% of issued share capital as at such date of grant to employees including Executive Directors. Following the equity raise conducted post period end the total number of ordinary shares issued and issuable in respect of options granted is 7% of the Company's issued shares.

Summary

We seek and welcome engagement with our shareholders and other stakeholders and are grateful for the level of shareholder engagement in 2022. I hope that this report provides greater insight into the Committee's remit as well as greater transparency on the remuneration framework and the way we apply our policy to achieve alignment between business performance, stakeholder interests and reward outcomes.

Directors' Remuneration Report...*continued*

Directors' remuneration policy

Objectives and principles

The principal objective of the Directors' remuneration policy is to promote the long-term success of the Company. It is guided by the following key principles:

- Competitive and fair - remuneration packages should be competitive but not excessive when compared with a relevant peer group and should be sufficiently attractive to recruit, retain and motivate individuals of the requisite calibre to deliver long-term success;
- Simple - remuneration packages should be clear and communicated transparently
- Aligned to performance and stakeholder interests - a significant proportion of remuneration should be based on performance-related components with potential rewards subject to the achievement of challenging performance targets linked to the Group's KPIs and to the best interests of shareholders and other stakeholders
- Strategic alignment - the Company's remuneration arrangements are designed to support Creo Medical's business objectives and strategy, to align with the Company's values and entrepreneurial culture, and to ensure a close link between pay outcomes and Group and individual performance.

In designing and implementing the remuneration policy, the Remuneration 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. The 2022 Directors' remuneration policy is shown below.

Key Elements of Policy for Executive Directors

COMPONENT	PURPOSE AND LINK TO STRATEGY	OPERATION	MAXIMUM OPPORTUNITY	LINK TO PERFORMANCE
Base Salary	To provide a competitive base salary to attract and retain high calibre executives	Reviewed annually or on a significant change of responsibilities and typically takes effect from 1 January. Salaries are determined by reference to the skills, role and personal performance of the individual. The Committee takes into account external market data and pay and employment conditions elsewhere in the Group when considering increases to base salary levels.	Increases will normally be broadly in line with the range awarded (in percentage of salary terms) to the wider workforce. Increases above this level may apply to take into account individual circumstances, e.g. a change in scope or responsibilities of the role, a change in market practice, a change in the size/complexity of the business, or to reflect development and performance in role. Internal and external reference points including market salaries for comparable organisations may also be taken into account.	Although there are no formal performance conditions, any increase in base salary is only implemented after careful consideration of individual contribution and performance.
Benefits	To provide broadly market competitive benefits as part of the total remuneration package	Other benefits may include car allowance, health-related life = cover and death in service insurance. For external and internal appointments or relocations, the Company may pay relocation costs	Not applicable	None
Pension	To aid recruitment and retention by providing long-term savings to support retirement planning		10% of salary	None
Annual bonus	To incentivise the delivery of annual objectives	Awards are based on performance measured over one year. Pay-out levels are determined by the Committee after the year end based on performance against pre-set targets. Discretion will apply, enabling the Committee to adjust the bonus outcome upwards or downwards where the formulaic outcome is, in the view of the Committee, not a fair and accurate reflection of business performance.	Capped at 100% of salary.	Pay-outs are based on an assessment of performance against defined financial, commercial, strategic and ESG objectives.
Long-term incentive	To drive superior performance of the Company and delivery of short- and long-term objectives, aid retention and align directors' interests with those of the Company's shareholders	The Creo Medical LTIP is made up of two elements: (i) a JSOP award subject to a share price hurdle and (ii) a nominal cost option over the trustee interest in the JSOP shares. Both elements vest after three years and three months subject to continued employment and performance conditions. The nominal cost option gives the participant the opportunity to receive the value of the underlying shares, e.g. even if the share price hurdle is not reached. **Following vesting:** - JSOP award may be split and resulting shares sold - Employee may exercise nominal cost option over remaining trustee shares **Key features of the JSOP element:** - Intended to deliver value to the participant (on a tax-efficient basis) if the share price exceeds a specified hurdle, e.g. £2.50 for the 2020-23 awards. - Employee, together with a third party (the "co-owner" e.g. an employee trust) jointly acquires the entire beneficial interest in shares. - The co-owner and the employee each sign a "joint ownership agreement" setting out how the proceeds of sale will be split between them when the shares are eventually sold. - The value below the hurdle is not tax advantaged and any amount below this will incur full NI and PAYE. Any value above the hurdle will be tax advantaged. - The Company may settle any upfront PAYE and NIC liabilities associated with participation in the JSOP on behalf of the directors with the cost to the Company recovered from any future LTIP option exercises		

Directors' Remuneration Report...*continued*

Consideration of employment conditions elsewhere in the Group

In setting remuneration for the Executive Directors, the Committee takes note of the overall approach to reward for employees in the Group. The Global HR Director updates the Remuneration Committee annually on remuneration arrangements and trends across the Group.

The main principles of remuneration are cascaded through the Company, taking into account seniority and market practice. Key features include:

- The Company aims to provide market competitive levels of remuneration across the workforce in order to recruit and retain high calibre employees at all levels;
- The Company aim to sustain and promote a culture of share ownership. Share-based long-term incentive awards are made to a significant proportion of employees. In addition, UK employees have the opportunity to participate in HMRC-approved employee share scheme arrangements (with similar plans subject to local tax and regulatory environments offered to all employees worldwide); and
- senior managers participate in annual bonus arrangements based on Group and personal performance. At senior levels, the proportion of remuneration which is long-term is higher than it is for other colleagues and more 'at risk', with an increased emphasis on performance-related pay and share-based remuneration. c.25% of employees participate in an annual discretionary bonus plan with bonus potential determined based on delivery against Company and personal objectives.

The Remuneration Committee regards the widespread use of share-based arrangements as a key plank of the remuneration policy. This ensures all employees are offered the opportunity to participate in the long-term success of the business while aligning their interests to those of our shareholders and other stakeholders. Since before the IPO in 2016 we have had an LTIP for all staff. The Creo Medical LTIP implemented in FY2020 is currently intended to be the primary vehicle for making long-term incentive awards using the CSOP scheme for awards to most staff and the JSOP Scheme used for the Executive Directors and other senior managers.

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 Chair and the Non-Executive Directors

The Chair 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 Chair 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 Chair 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.

Annual Report on Remuneration

Remuneration Committee membership and responsibilities

During the year ended 31 December 2022 the Remuneration Committee comprised Ivonne Cantu (Chair) and 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.

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 key responsibilities of the Remuneration Committee are to set a remuneration policy for the Executive Directors and the Chair and to review and determine on behalf of the Board the Chair's fee and 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 to the Board for final determination, including annual bonus awards and long-term incentive grants.

The remuneration of the Non-Executive Directors (other than the Chair) 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.

Actions and decisions undertaken by the Committee during the year:

- conducted a review of the Company's remuneration policy and disclosure;
- engaged with and sought the views of major shareholders on remuneration matters;
- reviewed market benchmark analysis for the executive director roles;
- undertook a review of the remuneration policy in light of the above;
- reviewed and approved the remuneration packages for our current executive directors;
- approved the annual bonus outcomes for FY2021 and the annual bonus plan for FY2022; and
- approved the terms of the LTIP grant for FY2022.

Directors' remuneration for 2022 (audited)

The remuneration of the Board of Directors of Creo Medical Group plc during the 12-month period ending 31 December 2022 was:

(ALL FIGURES £) EXECUTIVE	SALARY	TAXABLE BENEFITS	PENSION	ANNUAL BONUS[1]	LTIP[2]	OTHER[3]	12 MONTHS TO 31 DECEMBER 2022	12 MONTHS TO 31 DECEMBER 2021[4]
Professor Christopher Hancock	210,000	22,280	21,000	105,000	153,590	1,894	513,764	1,030,207
Craig Gulliford	280,000	22,133	28,000	140,000	204,787	2,525	677,445	1,223,637
Richard Rees	210,000	21,910	21,000	105,000	153,590	1,894	513,394	894,661
David Woods	262,210	36,775	13,111	134,281	164,642	-	611,019	557,162
Total Executive	**962,210**	**103,098**	**83,111**	**484,281**	**676,609**	**6,313**	**2,315,622**	**3,705,666**
NON-EXECUTIVE								
Charles Spicer	86,000	-	-	-	-	-	86,000	86,000
John Bradshaw	56,000	-	-	-	-	-	56,000	56,000
Ivonne Cantu	56,000	-	-	-	-	-	56,000	56,000
Total Non-Executive	**198,000**	**-**	**-**	**-**	**-**	**-**	**198,000**	**198,000**
Total Directors' Remuneration	**1,160,210**	**103,098**	**83,111**	**484,281**	**676,609**	**6,313**	**2,513,622**	**3,903,666**

1 Annual bonus for performance for the year ending 31 December 2022. The payments reflected the Remuneration Committee's assessment of performance versus the targets set at the beginning of the year of 95% after applying discretion

2 Value relates to the options which have vested during the period at the share price on the vesting date net of the exercise price required to obtain the shares. In prior years we have reported the IFRS2 Share Based Payments charge as the value for the shares during the period. However this year we have elected to follow the regulations for quoted companies on the Main Market show the value of shares vested during the period where performance conditions are present and on date of grant where only a service condition exists. The LTIP award is structured as a joint share ownership plan whereby the Participant and the Trustee jointly own the beneficial interest of the LTIP Shares. The Participant is entitled to any value above the hurdle price of £2.50 per share and the Trustee entitled to all value below the hurdle price. The Participant has also been granted an option to acquire the Trustee's beneficial interest in the LTIP Shares, at nominal cost, which is exercisable three years and three months after the acquisition date (subject to remaining in eligible employment) and followed by a three-month holding period.

3 Value relates to the upfront PAYE and NIC costs associated with participation in the JSOP which were paid by the Company during the year to settle the liabilities on behalf of the directors. The cost to the Company will be recovered from any future LTIP option exercises.

4 The prior year disclosure was based on the IFRS 2 charge, has been revised to show the prior year LTIP calculated based on the value of vesting shares in 2021 at the share price on the vesting date, the revised values were as follows: Professor Chris Hancock £329,010 (prior year £361,329), Craig Gulliford £426,891 (prior year £392,826), Richard Rees £329,010 (prior year £284,839) and David Woods £1,302 (prior year £83,970).

Directors' Remuneration Report...*continued*

Directors' shareholdings

The interests of the Directors at 31 December 2022 in the shares of the Company, including family interests, were:

(ALL FIGURES £)	31 DECEMBER 2022 NUMBER	31 DECEMBER 2022 %
Executive		
Professor Christopher Hancock	4,405,741	2.43%
Craig Gulliford	617,032	0.34%
Richard Rees	77,146	0.04%
David Woods	25,000	0.01%
Total Executive	**5,124,919**	**2.82%**
Non-Executive		
Charles Spicer	143,411	0.08%
John Bradshaw	105,947	0.06%
Ivonne Cantu	-	0.00%
Total Non-Executive	**249,358**	**0.14%**
Total Directors' Shareholdings	**5,374,277**	**2.96%**

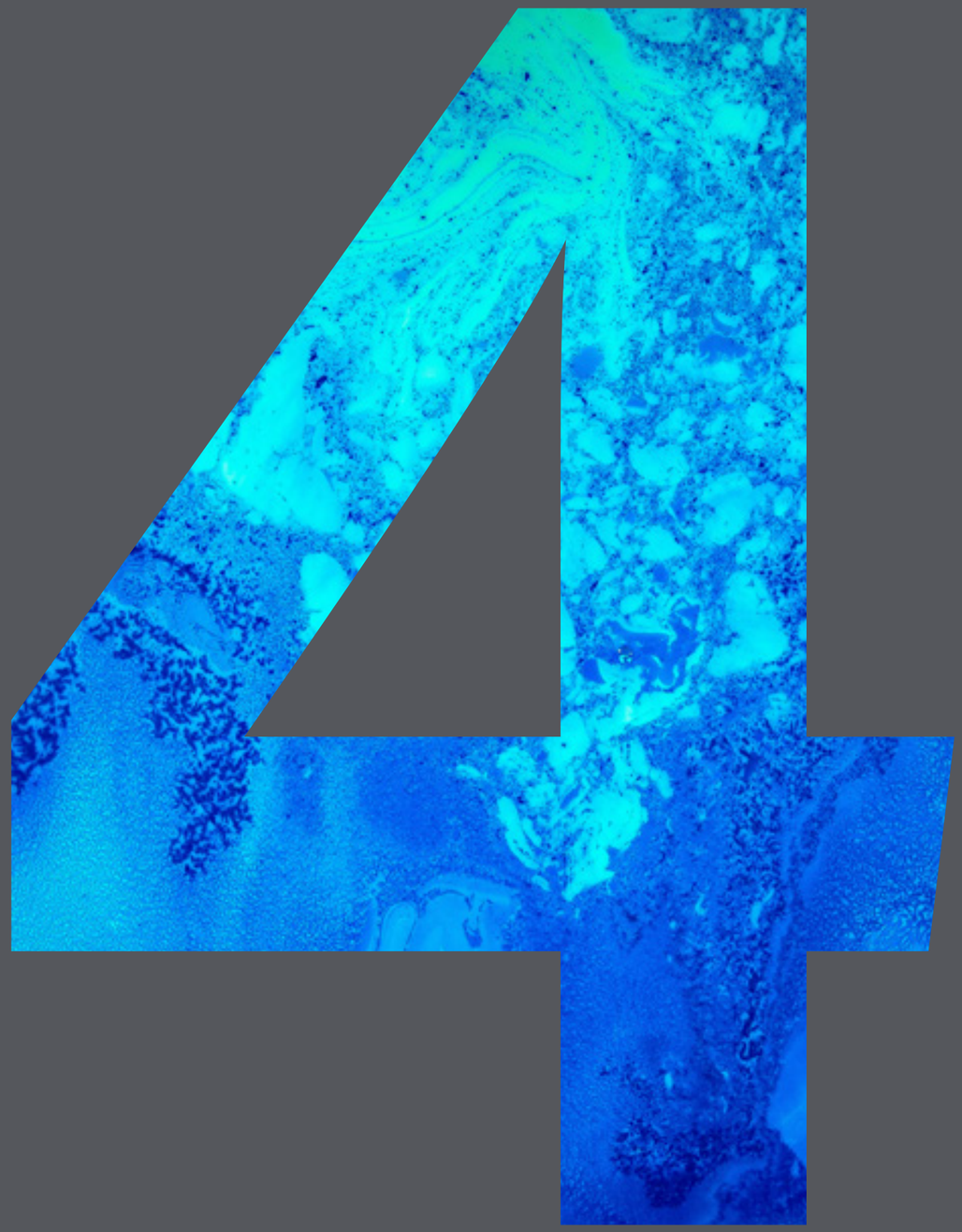
Directors' interests in LTIP awards and share options

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 LTIP, at 31 December 2022 were:

(ALL FIGURES £) EXECUTIVE	31 DECEMBER 2021 NUMBER	GRANTED DURING YEAR	FORFEITED DURING YEAR	EXERCISED DURING YEAR	31 DECEMBER 2021 NUMBER	VESTED BUT UNEXCERCISED	EXCERCISED PRICE
Prof. Christopher Hancock	417,240	-	-	-	417,240	417,240	16.67p
Prof. Christopher Hancock	72,000	-	-	-	72,000	72,000	16.67p
Prof. Christopher Hancock	1,184,210	-	-	-	1,184,210	1,184,210	76.00p
Prof. Christopher Hancock	107,914	-	-	-	107,914	107,914	113.00p
Prof. Christopher Hancock	268,293	-	-	-	268,293	268,293	153.75p
Prof. Christopher Hancock	114,035	-	-	-	114,035	114,035	171.00p
Prof. Christopher Hancock	115,000	-	-	-	115,000	-	0.01p
Prof. Christopher Hancock	210,000	-	-	-	210,000	-	0.01p
Prof. Christopher Hancock	2,348,288	-	-	-	2,348,288	-	0.01p
Prof. Christopher Hancock	-	184,645	-	-	184,645	-	0.01p
	4,836,980	**184,645**	**-**	**-**	**5,021,625**	**2,163,692**	

(ALL FIGURES £) EXECUTIVE	31 DECEMBER 2021 NUMBER	GRANTED DURING YEAR	FORFEITED DURING YEAR	EXERCISED DURING YEAR	31 DECEMBER 2021 NUMBER	VESTED BUT UNEXCERCISED	EXCERCISED PRICE
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	143,275	171.00p
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
Craig Gulliford	-	246,194	-	-	246,194	-	0.01p
	5,640,969	**246,194**	**-**	**-**	**5,887,163**	**3,667,311**	
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	114,035	171.00p
Richard Rees	115,000	-	-	-	115,000	-	0.01p
Richard Rees	210,000	-	-	-	210,000	-	0.01p
Richard Rees	731,519	-	-	-	731,519	-	0.01p
Richard Rees	-	184,645	-	-	184,645	-	0.01p
	3,029,762	**184,645**	**-**	**-**	**3,214,407**	**1,973,243**	
David Woods	130,208				130,208	-	0.00p
David Woods	-	219,816	-	-	219,816	-	0.00p
	130,208	**219,816**	**-**	**-**	**350,024**	**-**	
Total Executive	**13,637,919**	**835,300**	**-**	**-**	**105947**	**14,591,640**	**8,028,614**
NON-EXECUTIVE							
Charles Spicer	118,421	-	-	-	118,421	118,421	76.00p
John Bradshaw	27,000	-	-	27,000	-	-	21.39p
John Bradshaw	78,947	-	-	78,947	-	-	76.00p
	105,947	**-**	**-**	**105,947**	**-**	**-**	
Ivonne Cantu	-	-	-	-	-	-	-
Total Non-Executive	**224,368**	**-**	**-**	**105,947**	**-**	**118,421**	
Total Directors' Shareholdings	**13,862,287**	**835,300**	**-**	**105,947**	**14,591,640**	**7,922,667**	

Ivonne Cantu
Chair of the Remuneration Committee
25 April 2023



Financial Statements

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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 2022 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 as applied in accordance with the provisions of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including 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, which comprise: the Consolidated and Parent Company statements of financial position as at 31 December 2022; 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 listed 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

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 Creo Medical UK Limited.
- Creo Medical SAS and Creo Medical SRL were audited by local PwC component teams in France and Belgium respectively.
- Specified procedures were performed over Creo Medical S.L by the local PwC component teams in Spain.
- Specified procedures were then 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 98% of the Group's revenue, 90% of the Group's net assets and 92% of the Group's loss before tax.

Key audit matters

- Goodwill impairment assessment (group)
- Recoverability of the parent company investment in subsidiaries and intercompany receivable balance (parent)

Materiality

- Overall group materiality: £1,549,000 (2021: £1,459,000) based on 5% of Group's loss before tax.
- Overall parent company materiality: £1,472,000 (2021: £600,000) based on 1% of the parent company's net assets, restricted to 95% of Group materiality.
- Performance materiality: £1,162,000 (2021: £1,094,000) (group) and £1,104,000 (2021: £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.

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Goodwill impairment assessment (group)	
As at 31st December 2022, the Consolidated statement of financial position includes £19.6m of goodwill (2021: £18.6m). In accordance with International Accounting standards, management has performed impairment reviews in relation to the goodwill held in each of 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 FY23 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 climate change. ▪ 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.

Independent auditors' report *...continued*

Key audit matter	How our audit addressed the key audit matter
Recoverability of the parent company investment in subsidiaries and intercompany receivable balance (parent)	
As at 31st December 2022, the Parent Company's statement of financial position includes investments of £27.4m (2021: £26.8m) and intercompany receivables of £118.9m (2021: £89.1m). 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/receivable value may be impaired. Management has identified an indicator of impairment due to a decline in market capitalisation of the Group during the year to 31 December 2022. Accordingly, management has prepared an impairment assessment. The impairment assessment compares the carrying value to the recoverable amount, which is calculated as the higher of the value in use and the fair value less costs to sell. Management has performed a value in use calculation, based on the long-term business plan. Management have also considered the average market capitalisation of the Parent Company over the past 12 months and changes since the balance sheet date. The recoverable amount, based on using the higher of these two models shows that there remains headroom over the net assets of the Parent Company. There is complexity and judgement involved in calculating the valuation of the investments and recoverability of the intercompany receivable. The key estimate in regard to the value in use calculation and recovery of the receivable is the revenue growth over the next 5 years.	To assess the recoverability of the investment in subsidiary and the intercompany receivable balance, we have obtained managements Value In Use workings. We have challenged key inputs and assessed managements methodology including: ▪ Verifying the accuracy of the underlying calculations and agreeing cash flow forecasts to the long term 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. ▪ Consideration of sensitivity analysis to assess the impact of changes in key assumptions. ▪ Evaluating the appropriateness of the discount rate including comparison to the wider market. Based on our work performed, we consider the carrying value of investment in subsidiaries and intercompany receivables 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 12 reporting components, 3 are considered to be financially significant to the group. 3 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 98% of the Group's revenue, 90% of the Group's net assets and 92% of the Group's loss before tax.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the group's and parent company's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the group's and parent company's 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	£1,549,000 (2021: £1,459,000).	£1,472,000 (2021: £600,000).
How we determined it	5% of Group's loss before tax	1% of the parent company's net assets, restricted to 95% of Group materiality
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 95% 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 £230,000 to £1,468,000. 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% (2021: 75%) of overall materiality, amounting to £1,162,000 (2021: £1,094,000) for the group financial statements and £1,104,000 (2021: £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 £77,000 (group audit) (2021: £73,000) and £74,000 (parent company audit) (2021: £30,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the parent company's ability to continue to adopt the going concern basis of accounting included:

- Evaluation of management's going concern assessment and related disclosure in the financial statements.
- Evaluation of the Group's forecast financial performance,liquidity and covenant compliance over the going concern period.
- Evaluation of stress testing performed by management in their downside scenario and consideration of whether the stresses applied are appropriate for assessing 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.

Independent auditors' report *...continued*

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 2022 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
25 April 2023

Consolidated statement of profit or loss and other comprehensive income

for the 12-month period ended 31 December 2022

(All figures £'000)	Note	**12 months to 31 December 2022**	12 months to 31 December 2021
Revenue	2	**27,169**	25,161
Cost of sales		**(14,047)**	(13,576)
Gross profit		**13,122**	11,585
Other operating income	2	**51**	52
Administrative expenses		**(43,929)**	(41,544)
Operating loss		**(30,756)**	(29,907)
Finance expenses	9	**(287)**	(463)
Finance income	9	**66**	31
Loss before tax	3	**(30,977)**	(30,339)
Income tax credit	10	**4,041**	5,744
Loss for the year		**(26,936)**	(24,595)
Exchange gain/(loss) on foreign subsidiary	21	**1,166**	(1,896)
Changes to the fair value of equity investments at fair value through other comprehensive income	18	**388**	231
Total other comprehensive income (expense)		**1,554**	(1,665)
Total comprehensive loss for the year		**(25,382)**	(26,260)
Loss per Share			
Basic and diluted (£)	11	**(0.15)**	(0.15)

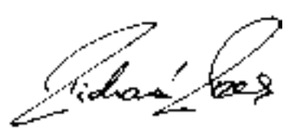
The notes on pages 130 to 164 form part of the financial statements.

Consolidated statement of financial position

31 December 2022

(All figures £'000)	Note	**12 months to 31 December 2022**	12 months to 31 December 2021
Assets			
Non-current assets			
Intangible assets	12	**8,080**	8,692
Goodwill	12	**19,563**	18,563
Investments	18	**2,122**	1,733
Property, plant and equipment	13	**10,184**	8,603
Deferred tax	16	**1,548**	1,705
Other assets	15	**153**	146
		41,650	39,442
Current assets			
Inventories	14	**9,325**	8,504
Trade and other receivables	15	**6,765**	4,830
Tax receivable	10	**4,500**	4,299
Cash and cash equivalents		**13,097**	43,534
		33,687	61,167
Total assets		**75,337**	100,609
Shareholder equity			
Called up share capital	21	**182**	181
Share premium	21	**149,516**	149,448
Merger reserve	21	**13,603**	13,603
Share option reserve	21	**9,338**	7,940
Foreign exchange reserve	21	**(1,159)**	(2,325)
Financial assets at fair value through other comprehensive income	18	**619**	231
Accumulated losses	21	**(122,696)**	(95,760)
Total equity		**49,403**	73,318
Liabilities			
Non-current liabilities			
Interest-bearing liabilities	19	**6,067**	5,175
Deferred tax liability	16	**2,000**	1,786
Provisions	20	**384**	593
		8,451	7,554
Current liabilities			
Interest-bearing liabilities	19	**4,029**	3,705
Trade and other payables	17	**9,000**	9,921
Non interest-bearing loans	17	**1,587**	1,676
Other liabilities	17	**2,622**	4,221
Provisions	20	**245**	214
		17,483	19,737
Total liabilities		**25,934**	27,291
Total equity and liabilities		**75,337**	100,609

These financial statements on pages 126 to 164 were approved by the Board of Directors on 25 April 2023 and were signed on its behalf by:



Richard Rees
Director

Company registered number: 10371794

The notes on pages 130 to 164 form part of the financial statements.

Consolidated statement of changes in equity

for the 12-month period ended 31 December 2022

(All figures £'000)	Called up share capital	Accumulated losses	Share premium	Merger reserve	Share option reserve	Changes to the fair value of equity instruments at fair value through other comprehensive income	Foreign Exchange Reserve	Total equity
Balance at 1 January 2020	**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)/income	–	–	–	–	–	–	(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	–	–	–	–	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)/income	–	–	–	–	–	231	(1,896)	(1,665)
Total comprehensive (loss)/income	–	(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	–	–	–	–	2,564	–	–	2,564
Balance at 31 December 2021	**181**	**(95,760)**	**149,448**	**13,603**	**7,940**	**231**	**(2,325)**	**73,318**
Total comprehensive loss for the year								
Loss for the financial year	–	(26,936)	–	–	–	–	–	(26,936)
Other comprehensive income	–	–	–	–	–	388	1,166	1,554
Total comprehensive (loss)/income	–	(26,936)	–	–	–	388	1,166	(25,382)
Transactions with owners, recorded directly in equity								
Issue of share capital	1	–	68	–	–	–	–	69
Equity settled share-based payment transactions	–	–	–	–	1,398	–	–	1,398
Balance at 31 December 2022	**182**	**(122,696)**	**149,516**	**13,603**	**9,338**	**619**	**(1,159)**	**49,403**

The notes on pages 130 to 164 form part of the financial statements.

Consolidated statement of cash flows

for the 12-month period ended 31 December 2022

(All figures £'000)	Note	12 months to 31 December 2022	12 months to 31 December 2021
Cash flows from operating activities			
Loss for the year		**(26,936)**	(24,595)
Depreciation/amortisation charges		**3,112**	2,562
Equity settled share-based payment expenses	8	**1,398**	2,564
Finance expenses	9	**287**	463
Finance income	9	**(66)**	(31)
Taxation	10	**(4,041)**	(5,744)
Increase in inventories		**(348)**	(2,967)
Increase in trade and other receivables		**(1,570)**	(3,170)
(Decrease)/increase in trade and other payables		**(902)**	1,975
Interest paid	9	**(287)**	(463)
Tax received		**4,299**	3,395
Net cash used in operating activities		**(25,054)**	(26,011)
Cash flows from investing activities			
Purchase of intangible fixed assets	12	**(95)**	(146)
Purchase of tangible fixed assets	13	**(3,179)**	(5,976)
Acquisition of subsidiary net of cash acquired	17	**(2,753)**	(1,752)
Interest received	9	**66**	31
Net cash used in investing activities		**(5,961)**	(7,843)
Cash flows from financing activities			
Capital repaid in respect of loans	18	**(1,572)**	(1,844)
Proceeds of new loan	18	**2,851**	144
Principal elements of lease repayments	18	**(827)**	(515)
Share issue	22	**70**	34,208
Net cash generated from financing activities		**522**	31,993
(Decrease) in cash and cash equivalents		**(30,493)**	(1,861)
Effect of exchange rates in cash held		**56**	303
Cash and cash equivalents at beginning of the year		**43,534**	45,092
Cash and cash equivalents at end of the year		**13,097**	43,534

The notes on pages 130 to 164 form part of the financial statements.

Notes to the financial statements

1. Accounting policies

General information

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

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

The Group financial statements have been prepared and approved by the Directors in accordance with 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 sixth 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 thousandth 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 2022 (including comparatives for the 12 months ended 31 December 2021) was approved by the Board of Directors on 25 April 2023.

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 2022:

- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- Onerous contracts – Cost of Fulfilling a Contract – Amendments to IAS 37
- Annual Improvements to IFRS Standards 2018-2020; and
- Reference to the Conceptual Framework – Amendments to IFRS 3

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

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

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

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – amendments to IAS 12; and
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2.

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

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

For the year ended 31 December 2022 the Group made a total comprehensive loss of £25.4m, had cash and cash equivalents of £13.1 million with net assets of £49.4m. £31.7m (after expenses) was raised in February and March 2023 through Share Placement and Open Offer. 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").

The Directors have modelled severe but plausible downside scenarios on the going concern period. These scenarios include sensitivity analysis to delay future growth. 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 Directors have prepared forecasts which show under both the base case and severe but plausible scenario, the Group's cash resources will extend at least 18 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 year ended 31 December 2022.

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

Notes to the financial statements...*continued*

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 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.

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.

Notes to the financial statements...*continued*

1. Accounting policies continued

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

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

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

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

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

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

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

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

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

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

Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the translation reserve or non-controlling interest, as the case may be. When a foreign operation is disposed of, such that control, joint control or significant influence (as the case may be) is lost, the entire accumulated amount in the 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
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.

Notes to the financial statements...*continued*

1. Accounting policies continued

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 customer 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 distributor premises based on the shipment terms. There is no right of return for the goods. Invoices are generated at this point with payment required within 30-60 days depending on distributor terms. 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 Creo 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 a fixed asset.	Revenue is recognised when the goods leave the warehouse or are delivered to the customers' premises (depending on shipment terms). Where the rights to an asset are retained by the Group the asset is depreciated over its useful life.
Service/ Maintenance Contracts	Service & 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.
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.
Licensing/ Development Income	Licensing agreements may contain a number of elements and provide for varying consideration terms, such as initial fees, sales, development and regulatory milestones together with sales-based royalties and similar payments. Such arrangements are within the scope of IFRS 15 and are assessed under its five-step model to determine revenue recognition. The distinct performance obligations within the contract and the arrangement transaction price are identified. The fair value of the arrangement transaction price is allocated to the different performance obligations based upon the relative stand-alone selling price of those obligations together with the performance obligation activities to which the terms of the payments specifically relate. The allocated transaction price is recognised over the respective performance period of each performance obligation. Creo carries out development for or with a third party. Performance obligations are recognised at a point in time if considered a milestone or overtime as the development project is completed.	Income which is related to ongoing development or licensing activity is recognised as the activity is undertaken, in accordance with the contract to match the costs incurred. Development and regulatory approval milestone payments are recognised as revenue when the respective milestones are achieved.

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 Speedboat Slim, Slypseal, Microblate and Spydrblade devices of £1.9m were expensed during the year.

Our new Speedboat Slim product met the capitalisation criteria in Q3. Between it meeting the capitalisation criteria and being made available for sale the total amount of capitalisable development costs were £38k. Due to this being an immaterial amount these were not capitalised in the year and instead expensed. No further development of the Speedboat and CROMA products has been undertaken with an emphasis on developing the later versions of these devices. No further development costs have been capitalised in the year.

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 of £0.8m 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 a 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 year, management have exercised significant judgement in determining whether presenting segment information on an alternative basis would better adhere to this core principal.

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

Notes to the financial statements...*continued*

2. Revenue and other operating income

The revenue split between the Group for 2022 was as follows:

(All figures £'000)	**12 months to 31 December 2022**	12 months to 31 December 2021
UK	**7,780**	6,027
Europe	**19,099**	19,068
RoW	**290**	66
Total	**27,169**	25,161

At 31 December 2022 the Group had a number of unsatisfied performance obligations under IFRS 15 in relation to the Intuitive collaboration in line with the contract agreement. The value of this unsatisfied performance obligation is in excess of £1m. (2021: £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 £51k (2021: £52k).

3. Loss before tax

The loss before income tax is stated after charging:

(All figures £'000)	**12 months to 31 December 2022**	12 months to 31 December 2021
Depreciation – owned assets	**1,296**	782
Depreciation – right of use assets	**672**	651
Amortisation	**1,145**	1,129
Research and development expenditure	**13,527**	12,869

4. Audit and non-audit fees

An analysis of auditors' remuneration is as follows:

(All figures £'000)	**12 months to 31 December 2022**	12 months to 31 December 2021
Audit of Parent Company and Consolidation	**149**	129
Audit of Group subsidiaries	**148**	136
Audit fees	**297**	265

5. Staff numbers and costs

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

(All figures £'000)	**12 months to 31 December 2022**	12 months to 31 December 2021
Wages and salaries	**18,102**	16,122
Social security costs	**2,675**	2,530
Other pension costs	**1,042**	742
Share-based payments	**1,279**	2,564
Total remuneration	**23,098**	21,958

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

(All numbers)	**12 months to 31 December 2022**	12 months to 31 December 2021
The average monthly number of employees during the year was as follows;		
Research and development	**100**	55
Administration & Operations	**122**	107
Sales & Marketing	**87**	77
	309	239

6. Directors' remuneration

(All figures £'000)	**12 months to 31 December 2022**	12 months to 31 December 2021
Directors' remuneration	**1,753**	2,735
Pension	**83**	82
Total Directors' remuneration	**1,836**	2,817

Directors' emoluments disclosed above paid to the highest paid Director in the year was £473k (31 December 2021: £623k) including Pension contribution of £28k. The share options exercised in the year by the highest paid Director was £nil (31 December 2021: £nil).

There were Company pension contributions of £83k made to defined contribution schemes during the current year (31 December 2021: £82k). Four Directors are in the defined contribution scheme (2021: Four). No shares were received or receivable for any Director in respect of long-term incentive schemes. One of the Non-Executive Directors exercised 105,947 share options during the year.

(All figures £'000)	**12 months to 31 December 2022**	12 months to 31 December 2021
Gain on exercise of shares	**10**	–
Total gain on exercise of shares	**10**	–

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.

Notes to the financial statements...*continued*

8. Share-based payments

At 31 December 2022 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
2	06 December 2013	243,720	Continual service of employment over 3 years	0.21	0.09	10 years
3	14 July 2015	1,121,400	Continual service of employment over 3 years	0.17	0.11	10 years
4	14 July 2015	670,680	Continual service of employment over 3 years	0.17	0.11	10 years
5	03 August 2015	1,242,000	Continual service of employment over 3 years	0.17	0.12	10 years
6	04 August 2015	216,000	Continual service of employment over 3 years	0.17	0.12	10 years
7	29 September 2016	1,944,000	Continual service of employment over 3 years	0.17	0.11	10 years
8	09 December 2016	5,907,896	Continual service of employment over 3 years	0.76	0.48	10 years
9	04 April 2018	875,902	Continual service of employment and market based performance conditions	1.13	0.58	10 years
10	29 August 2018	1,746,718	Continual service of employment over 3 years and non market based performance conditions	1.54	0.84	10 years
11	18 October 2018	749,209	Non market based performance conditions	0.76	1.60	10 years
12	02 July 2019	1,000,000	Non market based performance conditions	1.26	0.67	10 years
13	17 October & 7 November 2019	3,348,475	Non market and market based performance conditions	0.001 to 1.71	0.86 to 1.69	10 years
14	18 February 2020	490,000	Non market and market based performance conditions	0.001	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	0.001 to 1.92	0.97 to 2.17	10 years
17	14 June 2021	928,164	Non market and market based performance conditions	0.001 to 2.06	0.81 to 1.84	10 years
18	23 November 2021	4,633,465	Market based performance conditions	0.001	1.41	10 years
19	04 August 2022	1,537,212	Market based performance conditions	0.001 to 1.92	0.26 to 0.76	10 years
		28,498,047				

Share option activity for the year ended 31 December 2022 and 31 December 2021 is presented below:

	31 December 2022 Number of options	**31 December 2022 Weighted average exercise price**	31 December 2021 Number of options	31 December 2021 Weighted average exercise price
Outstanding at start of year as previously stated	**18,763,437**	**£0.60**	15,187,115	£0.66
Granted during the prior year*	**105,000**	**£1.71**	100,000	£1.71
Forfeited during the prior year	**–**	**£0.00**	(78,947)	£0.80
Granted during the year	**1,537,212**	**£0.34**	6,679,466	£0.21
Forfeited during the year	**(297,835)**	**£1.69**	(104,858)	£1.58
Cancelled during the year	**–**	**£0.00**	(2,772,130)	£0.01
Exercised during the year	**(123,947)**	**£0.55**	(247,209)	£0.28
Outstanding at end of year	**19,983,867**	**£0.62**	18,763,437	£0.60
Exercisable at end of year	**10,850,549**	**£0.79**	10,318,487	£0.74
Weighted average remaining contractual life (in years) of options outstanding at the year end		**6.3**		7.1

* Management identified 105,000 share options which were not disclosed in the prior year which have been added in the current year.

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 2022	31 December 2021
Exercise price	**£0.001 – £1.92**	£0.001 – £2.06
Share price at date of grant	**£0.75**	£1.52 – £2.17
Risk-free interest rate	**1.75%**	0.1% – 0.1%
Expected volatility	**46%**	32% – 49%
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 £0.55.

(All figures £'000)	**31 December 2022**	31 December 2021
Expense arising from share-based payment transactions	**1,279**	2,564

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

(All figures £'000)	**31 December 2022**	31 December 2021
Professor Christopher Hancock	**212**	361
Craig Gulliford	**251**	393
Richard Rees	**184**	285
David Woods	**22**	84
	669	1,122

During the prior year the Group implemented a SIP scheme for all UK employees. Employees are able to purchase up to £1,800 in Partnership shares each year. The Company will then provide two matching shares for each Partnership share purchased. Employees must remain with the Company for three years to keep the matching shares and five years to receive the shares tax free. The shares purchased/issued during the year under the scheme are as follows:

(All figures exact numbers)	**31 December 2022**	31 December 2021
Total Shares at 01 January	**139,838**	–
Partnership shares purchased in year	**111,211**	78,226
Matching shares issued in year	**322,752**	61,612
Total Shares in SIP scheme at 31 December	**573,801**	139,838

The total value of the Partnership Shares which was charged to administrative expenses in the year was £119k. Matching shares for the partnership shares purchased under the SIP scheme in December 2022 were not issued until after the yearend.

9. Finance expenses and finance income

(All figures £'000)	**12 months to 31 December 2022**	12 months to 31 December 2021
Finance income:		
Bank interest	**34**	31
Fair value adjustment for derivatives	**32**	–
Total finance income	**66**	31
Finance costs:		
Bank interest	**202**	183
Interest expense on lease liabilities	**5**	26
Fair value adjustment for derivatives	**–**	100
Unwind of the discount on lease liabilities	**41**	28
Unwind of the discount on deferred and contingent liabilities	**39**	126
Total finance costs	**287**	463

Notes to the financial statements...*continued*

10. Taxation

Recognised in the income statement:

(All figures £'000)	Note	**31 December 2022**	31 December 2021
Current tax:			
Current year		**(4,394)**	(3,879)
Adjustments for prior years		**–**	(100)
Foreign tax		**114**	161
Current tax credit		**(4,280)**	(3,818)
Deferred tax:			
Origination and reversal of temporary timing differences	16	**239**	(1,926)
Total tax credit		**(4,041)**	(5,744)

Reconciliation of effective tax rate:

(All figures £'000)	**31 December 2022**	31 December 2021
Loss for the year	**(26,936)**	(24,595)
Total credit	**(4,041)**	(5,744)
Loss excluding taxation	**(30,977)**	(30,339)
Tax using the UK corporation tax rate of 19% (2021: 19%)	**(5,886)**	(5,764)
Research and development	**(1,937)**	(2,180)
Movement in deferred tax not provided	**2,895**	3,314
Non-deductible expenses	**430**	87
Equity-settled share-based payments	**119**	240
Different tax rates applied in overseas tax jurisdictions	**63**	139
Losses utilised	**440**	163
Fixed asset differences	**35**	16
Deferred tax assets recognised	**(200)**	(1,659)
Adjustments for prior years	**–**	(100)
Total tax credit	**(4,041)**	(5,744)

The Group has submitted R&D tax relief claims under the small or medium-sized enterprises ("SME") scheme and £4,500k (2021: £4,299k) 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 (2021: £nil) 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 year after tax, divided by the weighted average number of shares in issue.

(All figures £)	**12 months to 31 December 2022**	12 months to 31 December 2021
Loss		
Loss attributable to equity holders of Company (basic)	**(26,936,464)**	(24,594,919)
Shares (number)		
Weighted average number of Ordinary Shares in issue during the year	**181,335,216**	164,433,455
Loss per share		
Basic and diluted	**(0.15)**	(0.15)
Ordinary Shares start of year	**181,099,186**	157,891,181
Issued in year		
Issue 1 - Ordinary	**105,810**	49,209
Issued with months remaining	**11**	8
Issue 2 - Ordinary	**216,942**	3,000,000
Issued with months remaining	**5**	6
Issue 3 - Ordinary	**27,000**	61,612
Issued with months remaining	**5**	5
Issue 4 - Ordinary	**78,947**	19,899,184
Issued with months remaining	**5**	3
Issue 5 - Ordinary	**18,000**	108,000
Issued with months remaining	**3**	1
Issue 6 - Ordinary	**–**	90,000
Issued with months remaining	**–**	–
Closing Ordinary Shares	**181,545,885**	181,099,186
Average Ordinary Shares	**181,335,216**	164,433,455
Basic EPS	**(0.15)**	(0.15)

12. Intangible assets and goodwill

(All figures £000's)	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
Transferred	–	–	–	–	–	–	–	–
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 year	–	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

Notes to the financial statements...*continued*

12. Intangible assets and goodwill continued

(All figures £000's)	Goodwill	Trade Name	Customer Relationships	Supplier Relationships	Development costs capitalisation	Computer software	Assets under construction	Total
Cost:								
At 1 January 2022	18,563	1,169	1,087	7,208	650	492	49	29,218
Additions	–	–	–	–	–	81	14	95
Transferred	–	–	–	–	–	48	(48)	–
Effect of movements in exchange rate	1,000	68	64	421	–	–	–	1,553
At 31 December 2022	19,563	1,237	1,151	7,629	650	621	15	30,866
Accumulated amortisation and impairment:								
At 1 January 2022	–	161	154	981	290	328	48	1,962
Charge for year	–	119	110	730	130	56	–	1,145
Transferred	–	–	–	–	–	48	(48)	–
Effect of movements in exchange rate	–	14	14	88	–	–	–	116
At 31 December 2022	–	294	278	1,799	420	432	–	3,223
Net book value at 31 December 2022	**19,563**	**943**	**873**	**5,830**	**230**	**189**	**15**	**27,643**

The amortisation of intangibles has been charged to administrative expenses in the Consolidated Statement of profit or loss and other Comprehensive Income. The supplier relationship intangible arose on the acquisitions of Albyn and Boucart Medical in 2020. The remaining amortisation period of the Albyn supplier relationships is 91 months and the remaining amortisation period for the Boucart supplier relationships is 94 months.

Capitalised development costs

£48k of capitalised software was transferred from assets under construction to computer software in the year. No other assets have been transferred from assets under construction during the year. No development costs were capitalised during the year (31 December 2021: £nil).

Assets under construction

There was £15k of assets under construction at the 31 December 2022 in relation to software purchased during the year (31 December 2021: £nil).

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 2022**	31 December 2021
Albyn Group of CGUs	**16,022**	15,137
Boucart single CGU	**2,074**	1,959
Aber single CGU	**1,467**	1,467
	19,563	18,563

Albyn Goodwill Assumptions

Goodwill arising on acquisition of Albyn has been allocated to a single CGU Group which consists of the 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:

In percent	
Pre-tax discount rate	14.23%
Terminal value growth rate	2%
Budgeted revenue growth rate (average of next five 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.

(Amounts in €000's)	Headroom
Albyn CGU Group	10,843

Sensitivity scenario (amounts in €'000s):	Impact on Headroom
Pre-tax Discount rate increase by 1%	(4,384)
Terminal value growth rate reduce by 1%	(3,500)
Budgeted revenue growth rate (average of next 5 years) reduced by 2%	(7,359)

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:

In percent	
Pre-tax discount rate	13.42%
Terminal value growth rate	2%
Budgeted revenue growth rate (average of next five 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.

(Amounts in €000's)	Headroom
Boucart CGU	3,435

Sensitivity scenario (amounts in €'000s):	Impact on Headroom
Pre-tax Discount rate increase by 1%	(853)
Terminal value growth rate reduce by 1%	(674)
Budgeted revenue growth rate (average of next 5 years) reduced by 2%	(1,301)

Notes to the financial statements...*continued*

Aber Goodwill Assumptions

Goodwill arising on acquisition of Aber 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:

In percent	
Pre-tax discount rate	14.89%
Terminal value growth rate	3%
Budgeted revenue growth rate (average of next five years)	6%

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

(Amounts in £000's)	Headroom
Aber CGU	456

Sensitivity scenario (amounts in £'000s):	Impact on Headroom
Pre-tax Discount rate increase by 1%	(229)
Terminal value growth rate reduce by 1%	(181)
Budgeted revenue growth rate (average of next 5 years) reduced by 2%	(378)

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 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 the year	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
Cost:										
At 1 January 2022	4,507	740	1,486	267	486	2,149	145	720	3,125	13,625
Additions	103	92	267	3	156	447	1,388	723	215	3,394
Transferred	–	146	–	–	–	–	(146)	–	–	–
Disposals	–	–	(2)	(18)	(89)	(3)	–	(82)	–	(194)
Exchange rate movements	–	(38)	27	8	(66)	32	5	25	184	177
At 31 December 2022	4,610	940	1,778	260	487	2,625	1,392	1,386	3,524	17,002
Accumulated Depreciation:										
At 1 January 2022	52	584	973	184	345	1,259	–	535	1,090	5,022
Charge for the year	106	134	289	17	62	454	–	234	672	1,968
Disposals	–	–	(1)	–	(77)	–	–	(76)	–	(154)
Exchange rate movements	–	1	9	6	(79)	14	–	28	3	(18)
At 31 December 2022	158	719	1,270	207	251	1,727	–	721	1,765	6,818
Net book value at 31 December 2022	**4,452**	**221**	**508**	**53**	**236**	**898**	**1,392**	**665**	**1,759**	**10,184**

Assets under construction for the year of £1,392k (2021: £145k) relate to leasehold improvements in our additional building at the Chepstow site. £145k of brought forward assets under construction were transferred to leasehold improvements during the year.

Notes to the financial statements...*continued*

14. Inventories

(All figures £'000)	31 December 2022	31 December 2021
Raw materials & consumables	**2,964**	2,188
Finished goods	**6,361**	6,316
Total inventories	**9,325**	8,504

These carrying values are stated net of impairment provisions of £2,645k (2021: £2,285k). Inventories of £1,434k (2021: £732k) were written down during the year and the expense recognised in the income statement. £13,387k of inventories was recognised in the income statement in cost of sales. The Directors are of the opinion that the replacement values of inventories are not materially different to the carrying values stated above. Inventories also include £1.6m of PPE inventories in Spain. The value of these inventories match the value of the loan from the Spanish government held on the balance sheet.

15. Trade and other receivables

(All figures £'000)	31 December 2022	31 December 2021
Current:		
Trade receivables	**4,859**	3,876
Accrued other income	**387**	66
Other debtors	**428**	518
Prepayments	**1,091**	370
Total current	**6,765**	4,830
Non-current:		
Other assets	**153**	146
Total trade and other receivables	**6,918**	4,976

An expected credit loss provision of £235k (2021: £505k) in relation to trade debtors has been booked during the year. An expected credit loss provision was calculated for the other debtors balance and was deemed immaterial and therefore not recognised.

16. Deferred tax and other tax receivables

The accelerated capital allowances deferred tax liability set out below is expected to reverse over the life of the related fixed assets. Deferred tax has been calculated at a rate of 25% (2021: 25%).

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

(All figures £'000)	31 December 2022	31 December 2021
Movement:		
At 1 January	**81**	1,522
Deferred tax Asset recognised	**(201)**	(1,632)
Tax charge recognised in profit and loss	**106**	(420)
	(14)	(530)
Losses utilised	**440**	745
Exchange rate movements	**26**	(134)
At 31 December	**452**	81

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 £'000)	31 December 2022	31 December 2021
Balances:		
Intangible assets	**2,132**	2,069
Pension accruals and other temporary timing differences	**(132)**	(283)
Tax losses offset (see below)	**(1,548)**	(1,705)
	452	81

16. Deferred tax and other tax receivables continued

(All figures £'000s)	31 December 2022	31 December 2021
Balances:		
Deferred tax asset	**(1,548)**	(1,705)
Deferred tax liability	**2,000**	1,786
Net deferred tax liability	**452**	81

There are unused trading losses at 31 December 2022 of approximately £50.6m (31 December 2021: £46.4m). 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 two years. We also have £0.75m deferred tax asset relating to Creo Spain and Creo France. These have been recognised as we expect to utilise these losses against future profits over the next 1 to 2 years. A remaining deferred tax asset of approximately £12.5m (31 December 2021: £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 £175k 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 2022 of £4.5m (31 December 2021: £4.3m) relate solely to R&D tax credits. The Company has submitted R&D tax credit claims for the years 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 2022	31 December 2021
Current:		
Trade payables	**4,279**	3,538
Social security and other taxes	**532**	470
VAT payable	**530**	–
Other payables	**592**	1,099
Accrued expenses	**3,067**	4,714
Derivative liability	**–**	100
PPE loan	**1,587**	1,676
Deferred and contingent consideration	**2,622**	4,221
Total trade and other payables	**13,209**	15,818

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 €2.3m has been paid to date. As at 31 December 2022 the Group had £1.6m of PPE stock. Albyn purchased 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 does 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 2022 the Group has deferred consideration in relation to the Albyn Medical acquisition in 2020 of £1.1m. £1.1m of deferred consideration was paid during the year.

A contingent consideration liability of £0.7m has been recognised in the accounts in relation to the acquisition of Albyn Medical SL in 2020. The Group considered it probable that the targets will be achieved based on current performance to date and forecast results, and therefore expect the provision will be paid in full. £1.5m of contingent consideration was paid during 2022.

A contingent consideration liability of £0.4m has been recognised in the accounts in relation to the acquisition of Boucart Medial SRL in 2020. The Group considered it probable that the targets will be achieved based on performance to date and forecast results and therefore the provision will be paid in full.

A contingent consideration liability of £0.4m has been recognised in the accounts in relation to the acquisition of Aber Electronics Limited in 2021. The Group considered it probable that the targets will be achieved based on current performance to date and therefore expect the provision will be paid in full.

Notes to the financial statements...*continued*

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 2022**	31 December 2021
Investments:		
I.Q. Endoscopes	**2,122**	1,733
Foreign currency forward contracts:		
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 principles	(1,844)	(515)
Cashflow interest	(92)	–
Non-cash changes interest*	60	40
Non-cash changes FX	–	(348)
31 December 2021	6,822	2,056

	Gross Loan	Lease Liabilities
01 January 2022	6,822	2,056
Additions	2,851	215
Cashflow principles	(1,572)	(827)
Cashflow interest	(125)	(1)
Non-cash changes interest*	37	41
Non-cash changes FX	349	252
31 December 2022	**8,362**	**1,736**

* Non-cashflow changes relate to effective interest rate charge on the Cardiff Capital Region 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 2022 was £nil. (2021 £100k liability). The foreign currency forward contracts are categorised as level 1 in the fair value hierarchy.

Financial risk management

The main purpose of the Company's financial instruments is to finance the Company's operations. The financial instruments comprise of leases, foreign currency forward contracts, bank loans and facilities, cash and liquid resources and various items arising directly from its operations, such as trade receivables and trade payables. The main risks arising from the Company's finance instruments are exchange rate risk, interest rate risk, and liquidity risk. The Company's policies on the management of liquidity interest rates 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 Groups preference shares held in I.Q. Endoscopes were converted to Ordinary Shares during the year. As part of this Creo was issued a warrant to purchase additional shares at par value. Creo exercised this warrant in December 2022. The investment was fair valued at 31 December 2022.

(All figures £'000)	**2022**	2021
Carrying value as at 1 January 2022	**1,733**	500
Additional investment	**–**	1,002
Share warrant exercise	**1**	–
Fair value gain through OCI	**388**	231
Balance at 31 December 2022	**2,122**	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 2022.

Shares owned 1 January 2022	755,900
Additional shares acquired during the year	94,808
Fair Value per share (£)	2.494
Fair Value of investment (£'000s)	2,122
Cost of initial investments (£'000s)	1,503
Gain through OCI (£'000s)	619

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.

Interest-rate risk and benchmark reform

The Group has limited exposure to interest rate fluctuations with some acquired loans having variable interest rates. Where possible we look to offset interest from loans with interest received from our cash on deposit. We do not consider that any significant increase in interest rates would have a material impact on the business. The Group has some loans linked to the EURIBOR however these are expected to be settled within the next year with the exception of one loan which is not material to the Group. We therefore do not consider the transition to alternative benchmark rates to be a significant risk.

Trade Receivables

The carrying amounts of financial assets represent the maximum credit exposure. As at 31 December 2022 no investments in debt securities or other contract assets were held and receivables from customers were £4,658k (2021: £4,499k).

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.

Notes to the financial statements...*continued*

18. Financial instruments continued

Expected credit loss assessment for trade receivables

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets from individual customers as at 31 December 2022.

(All figures £'000)	Weighted Average Loss	Gross Carrying Amount	Loss Allowance
Excluded from ECL calculation	0%	202	–
Current (not past due)	1%	3,312	33
0-60 days	5%	1,038	48
61-120 days	11%	122	14
121-180 days	20%	57	12
More than 180 days past due	100%	128	128
		4,859	235

The Group uses an allowance matrix to measure the ECLs of trade receivables consistent with IFRS 9. Loss rates are calculated using historical write-off data from the last 18 months to work out the probability of default based on the aging of the receivable. Where the Group has forward looking information which means the ECL would be unlikely to occur we have excluded these from the calculation.
At 31 December 2022 the ECL for trade receivables was £235k (2021: £505k).

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

(All figures £'000)	**2022**	2021
Balance at 1 January	**(505)**	(447)
Loss allowance movement	**270**	(58)
Specific amounts provided for	**–**	(118)
Balance at 31 December	**(235)**	(623)

Specific amounts of £nil (2021: £118k) were provided for in the year relate to the specific customer debts which we deem to be credit impaired.

Foreign exchange risk

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

19. Interest-bearing liabilities

(All figures £'000)		**31 December 2022**	31 December 2021
Current:			
Lease liabilities	25	**561**	670
Bank credit facilities		**2,246**	1,647
Bank loans		**1,114**	1,388
Mortgage		**108**	–
		4,029	3,705
Non-current:			
Lease liabilities	25	**1,173**	1,386
Bank loan		**629**	1,649
Commercial loan		**2,178**	2,140
Mortgage		**2,087**	–
		6,067	5,175
		10,096	8,880
Lease liabilities are payable as follows:			
Less than one year		**561**	670
Between one and five years		**1,059**	1,340
More than five years		**114**	46
		1,734	2,056
Bank borrowings are payable as follows:			
Less than one year		**3,468**	3,035
Between one and five years		**4,894**	3,789
More than five years		**–**	–
		8,362	6,824
		10,096	8,880

Notes to the financial statements...*continued*

19. Interest-bearing liabilities continued

The terms and conditions of outstanding loans are as follows:

				31 December 2022		31 December 2021	
(All figures £'000)	Currency	Nominal interest rate	Year of maturity	Face Value	Carrying Value	Face Value	Carrying Value
Secured Bank Loan	EUR	EURIBOR+2%	2022	89	–	84	15
Secured Bank Loan	EUR	EURIBOR+2,5%	2023	177	32	168	59
Secured Bank Loan	EUR	EURIBOR+2%	2022	71	–	67	12
Secured Bank Loan	EUR	EURIBOR+2%	2022	18	–	17	3
Secured Bank Loan	EUR	EURIBOR+2%	2023	35	6	34	11
Secured Bank Loan	EUR	EURIBOR+2%	2023	142	25	134	47
Secured Bank Loan	EUR	2%	2023	177	34	168	60
Secured Bank Loan	EUR	EURIBOR+2%	2022	89	–	84	15
Secured Bank Loan	EUR	EURIBOR+2%	2023	177	31	168	58
Secured Bank Loan	EUR	EURIBOR+1%	2023	133	27	126	50
Secured Bank Loan	EUR	EURIBOR+1%	2023	133	27	126	51
Secured Bank Loan	EUR	EURIBOR+1%	2023	133	27	126	51
Secured Bank Loan	EUR	EURIBOR+1%	2023	133	27	126	50
Unsecured Bank Loan	EUR	EURIBOR+2%	2023	532	121	503	215
Unsecured Bank Loan	EUR	2%	2022	106	–	101	17
Unsecured Bank Loan	EUR	EURIBOR+2%	2023	532	111	503	207
Unsecured Bank Loan	EUR	1%	2025	310	142	293	193
Unsecured Bank Loan	EUR	2%	2022	106	–	101	17
Unsecured Bank Loan	EUR	EURIBOR+2%	2023	532	111	503	208
Unsecured Bank Loan	EUR	2%	2023	355	40	335	151
Unsecured Bank Loan	EUR	EURIBOR+1,9%	2022	106	–	101	19
Unsecured Bank Loan	EUR	3%	2022	266	–	251	43
Unsecured Bank Loan	EUR	2%	2023	532	111	503	208
Unsecured Bank Loan	EUR	1%	2023	177	15	168	71
Unsecured Bank Loan	EUR	1%	2025	355	201	335	257
Unsecured Bank Loan	EUR	2%	2025	355	205	335	260
Unsecured Bank Loan	EUR	2%	2025	355	205	335	260
Unsecured Bank Loan	EUR	EURIBOR+1,75%	2025	355	211	335	265
Unsecured Bank Loan	EUR	0.44%	2021	89	–	84	–
Unsecured Bank Loan	EUR	0.44%	2022	89	–	84	28
Unsecured Bank Loan	EUR	0.44%	2022	89	–	84	84
Unsecured Bank Loan	EUR	0.87%	2021	29	–	28	–
Unsecured Bank Loan	EUR	0.46%	2021	75	–	71	–
Unsecured Bank Loan	EUR	0.50%	2021	21	–	20	–
Unsecured Bank Loan	GBP	2.50%	2026	50	35	50	44
Mortgage	GBP	Base rate +2.5%	2021	2,250	2,195	–	–
Commercial Loan	GBP	5%	2025	2,055	2,178	2,055	2,140
Short term Credit with Banks	EUR	1.45-1.75%	2021	2,394	2,246	1,760	1,645
Lease Liabilities	EUR	1.5%-4%	2021–26	1,755	1,148	1,658	1,223
Lease Liabilities	GBP	2.8%-5%	2021–24	729	585	729	833
Total interest bearing liabilities				16,106	10,096	12,753	8,880

The secured bank loans (other than the UK Secured Bank Loan) belong to Albyn Medical SL and are guaranteed by Elkargi. A mortgage for the building purchased in 2021 was obtained during the year. The mortgage is secured to the property and has a loan to value covenant of 75% and a cashcheck covenant of £5m.

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 25.

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

(All figures £'000)	Warranties	Dilapidations	Legal & Tax	Other	Total
At 1 January 2022	89	410	183	125	807
Provisions made in the year	30	70	–	6	106
Provisions used in the year	(5)	(96)	(183)	–	(284)
At 31 December 2022	**114**	**384**	**–**	**131**	**629**
Non current	–	384	–	–	384
Current	114	–	–	131	245
	114	384	–	131	629

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, Singapore, US, 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. We are now satisfied that these liabilities will not occur and have released the remaining provision.

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 2022**	31 December 2021
Balance at start of year	**181**	158
Issue of share capital		
Number of shares	**447**	23,208
Price per share (£)	**0.001**	0.001
Share value (£)	**1**	23
Balance at 31 December	**182**	181

During the year 123,947 share options were exercised, with 322,752 to the SIP. The Group has a single class of share: Ordinary Shares £0.001.

Issued share capital

Issued share capital is the amount of nominal value of shares held by shareholders. At 31 December 2022 181,545,885 shares have been issued, each with the nominal value of £0.001 equalling a share capital for the Company of £181,545. All Ordinary Shares rank as pari passu with regards to voting, dividends and rights on winding up. All shares are fully paid.

Notes to the financial statements...*continued*

21. Share capital and reserves continued

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.

Accumulated losses
Retained earnings including profit or loss for the year comprises the earned profit of the Parent Company and its subsidiaries.

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 2022**	31 December 2021
Share issue:		
Share options exercised	**69**	68
Issued to EBT Trust	**–**	3
Issued to SIP	**1**	1
Share placing AIM 7 September 2021	**–**	36,316
Transaction costs AIM 7 September 2021	**–**	(2,180)
	70	34,208

23. Related party disclosures
As at 31 December 2022 the Directors of the Company control 2.96% 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 year total payments in the ordinary course of business to Monkey Business Consultants S.L. consisted of £nil. Total amounts paid to Monkey Business Consultants S.L. in relation to the purchase of additional 5% of shares was £2.6m.

Total remuneration to Luis Collantes in the year was £272k (2021: £364k).

During the year the preference shares held with I.Q. Endoscopes were converted to Ordinary Shares. As part of this Creo was offered a warrant for an additional 94,808 shares at par value. Creo exercised the warrant during the year for a total of £948. As at 31 December 2022 the total fair value of the shares was estimated to be £2,121,530. The Group controls 13.2% of the Company and is not deemed to have significant influence, therefore it has not been classified as an associate.

Christopher Hancock holds a Professorship with Bangor University and is the common-law spouse of Ling Chen. The fees paid in the year to Ling Chen totalled £23k (2021: £27k) for consultation on the research and development projects throughout the year, with the balance payable at 31 December 2022 being £nil (2021: £nil).

Key management personnel are deemed to be those with ultimate decision making power in a particular area of the business. Aggregate remuneration for the year for all key management totalled £2,785k (31 December 2021: £4,603k).

(All figures £'000)	**12 months to 31 December 2022**	12 months to 31 December 2021
Salary and other taxable benefits	**2,025**	3,100
Pension	**83**	82
SBP	**677**	1,421
	2,785	4,603

24. Ultimate controlling party
By virtue of the shareholding structure, there is no sole ultimate controlling party.

25. 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 three to ten years, with an option to renew the lease after that date. Lease payments are renegotiated every five years to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices. For certain leases, the Group is restricted from entering into any sub-lease arrangements.

Some of the building leases were entered into many years ago as combined leases of land and buildings. Previously, these leases were classified as operating leases under IAS 17. New leases have been recognised under IFRS 16.

The Group leases equipment under a number of leases, which were classified as finance leases under IAS 17.

The Group leases other equipment with contract terms of one to five years. These leases are short-term and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

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

2022 (All figures £'000)	**Land and buildings**	**Plant and machinery**	**Motor Vehicles**	**Total**
Balance at 1 January	**1,832**	**91**	**112**	**2,035**
Depreciation charge	**(557)**	**(36)**	**(79)**	**(672)**
Additions to right of use assets	**215**	**–**	**–**	**215**
Disposals of right of use assets	**–**	**–**	**–**	**–**
Exchange difference	**172**	**3**	**7**	**182**
Balance at 31 December	**1,662**	**58**	**40**	**1,760**

Notes to the financial statements...*continued*

25. Leases continued

ii) Lease liabilities

(All figures £'000)	2022	2021
Maturity Analysis – undiscounted contractual cash flows		
Less than one year	**(564)**	(672)
One to five years	**(1,082)**	(1,464)
More than five years	**(126)**	(48)
Total lease liabilities at 31 December	**(1,772)**	(2,184)
Lease liabilities included in the statement of financial position at 31 December	**(1,772)**	(2,184)
Current	**(564)**	(672)
Non-current	**(1,208)**	(1,512)
	(1,772)	(2,184)

iii) Amounts recognised in profit or loss

2022 – Leases under IFRS 16

(All figures £'000)	2022	2021
Depreciation on right of use asset	**672**	651
Interest on lease liabilities	**42**	54
Expenses relating to short-term leases	**-**	–
Expenses relating to leases of low value assets	**-**	–

The total cash outflow for leases in 2022 was £827k.

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 2022 no lease extension is expected to be taken by the Group.

26. Capital commitments

The amounts contracted for but not provided for as at 31 December 2022 are £nil (31 December 2021: £nil).

27. Subsequent events

Fund raise

On 16 February 2023, Creo announced it had raised £28.5 million (before expenses) by way of a conditional Placing and Subscription and on 7 March 2023 it had raised an additional £5.2m (before expenses) by way of an open offer, therefore raising gross proceeds of approximately £33.7 million, in aggregate.

Investment by Key Management Personnel:

Further to the announcements made on 16 February 2023 and 8 March 2023, and pursuant to the recent fundraising, the Company confirms that each of the Company's Directors, Luis Collantes, a member of the Company's senior leadership team and a director of various of the Company's subsidiaries and certain PCAs, have either themselves or through parties affiliated with them acquired New Ordinary Shares at the Issue Price of 20 pence per Ordinary Share as follows:

Director/PDMR Name	No. of New Ordinary Shares acquired	Resultant Shareholding post transaction	% of voting rights post transaction
Charles Spicer	165,119	308,530	0.09%
Craig Gulliford*	1,000,000	1,630,466	0.46%
Richard Rees	2,715,322	2,805,902	0.79%
Professor Christopher Hancock	383,171	4,802,352	1.36%
David Woods	415,255	440,255	0.13%
John Bradshaw	1,265,135	1,371,082	0.39%
Ivonne Cantu	125,000	125,000	0.04%
Luis Collantes**	4,442,485	4,442,485	1.27%

* These 1,000,000 shares are held by the spouse of Craig Gulliford
** Shares held via Monkey Business Consultants SL, a company owned and managed by Luis Collantes.

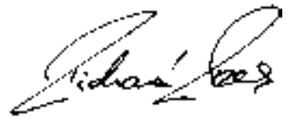
Parent Company statement of financial position

(All figures £'000)	Note	As at 31 December 2022	As at 31 December 2021
Assets			
Non-current assets			
Investments in subsidiaries	30	**27,430**	26,791
Property, plant and equipment	31	**5,834**	4,563
Investments		**2,122**	1,733
Other assets	32	**118,876**	89,131
		154,262	122,218
Current assets			
Trade and other receivables	32	**222**	80
Cash and cash equivalents		**8,610**	37,321
		8,832	37,401
Total assets		**163,094**	159,619
Liabilities			
Current Liabilities			
Trade and other payables	33	**2,387**	3,911
Interest bearing liabilities		**108**	–
Non-Current Liabilities			
Interest bearing liabilities	33	**2,087**	–
Total Liabilities		**4,582**	3,911
Called up share capital	21	**182**	181
Share premium		**149,516**	149,448
Financial assets at fair value through other comprehensive income		**619**	231
Share option reserve		**8,579**	7,182
Accumulated losses*		**(384)**	(1,334)
Total Equity		**158,512**	155,708
Total equity and liabilities		**163,094**	159,619

* Profit for the year was £950k.

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

These financial statements on pages 159 to 164 were approved by the Board of Directors on 25 April 2023 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	Investment Fair Value	Share option reserve	Total equity
Balance at 1 January 2021		158	(742)	115,264	–	4,617	119,297
Total comprehensive income for the year							
Profit for the financial year		–	(592)	–	–	–	(592)
Other comprehensive income		–	–	–	231	–	231
Total comprehensive income		–	(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
Total comprehensive expense for the year							
Profit for the financial year		–	950	–	–	–	950
Other comprehensive income		–	–	–	388	–	388
Total comprehensive expense		–	950	–	388	–	1,338
Transactions with owners, recorded directly in equity							
Issue of share capital		1	–	68	–	–	69
Equity settled share-based payment transactions	8	–	–	–	–	1,397	1,397
Balance at 31 December 2022		**182**	**(384)**	**149,516**	**619**	**8,579**	**158,512**

Parent Company note to the financial statements*...continued*

28. Parent Company financial statements

As permitted by section 408(3) of the Companies Act 2006, a separate Statement of Comprehensive Income, dealing with the profit of the Parent Company, has not been presented. The Parent Company profit for the year ended 31 December 2022 is £950k (2021: profit £592k).

29. 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. The nature of the Company's operations and business activities are the same as that of the Group and are described in the strategic report.

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;
- Comparative period reconciliations for PPE;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel;
- Disclosures of transactions with a management entity that provides key management personnel services to the Company; and
- Certain disclosures required by IFRS 7 Financial Instrument Disclosures.

As the consolidated financial statements include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of Group-settled share-based payments;
- Certain disclosures required by IAS 36 Impairment of Assets in respect of the impairment of goodwill and indefinite life intangible assets; and
- Certain disclosures required by IFRS 3 Business Combinations in respect of business combinations undertaken by the Company.

The accounting policies set out above have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the Directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year, are discussed in Note 1 Critical accounting judgements and policy update.

These accounts have been prepared on a going concern basis.

These accounts have been prepared under the historic cost convention.

Changes in accounting policy and disclosures as well as a description of the entities operations and business activities have been disclosed in Note 1.

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.

Investments in subsidiaries are carried at cost less impairment.

Parent Company note to the financial statements...*continued*

30. 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
Capital Contribution	639
As at 31 December 2022	27,430

The Company has the following investments in subsidiary companies:

Subsidiary	Domicile	Status	Registered Office address	Class of shares held	Ownership	Year end#	Ownership Type
Creo Medical Limited	UK	Trading	Creo House, Unit 2 Beaufort Park, Beaufort Park Way, Chepstow, Wales, NP16 5UH	Ordinary	100%	31-Dec	Direct
Creo Medical, Inc.	US	Trading	100 Reserve Road, suite B400 Danbury, CT 06810, USA	Ordinary	100%	31-Dec	Indirect***
Creo Medical Innovations Limited	UK	Trading	Creo House, Unit 2 Beaufort Park, Beaufort Park Way, Chepstow, Wales, NP16 5UH	Ordinary	100%	31-Dec	Indirect***
Creo Medical Ireland Limited	Ireland	Dormant	70 Sir John Rogerson's Quay, Dublin 2 , Ireland	Ordinary	100%	31-Dec	Indirect***
Creo Medical PTY	Australia	Dissolved	Colin Biggers & Paisley Level 42 2 Park Street Sydney, NSW 2000	Ordinary	100%	31-Dec	Indirect***
Creo Medical PTE Limited	Singapore	Trading	20A Tanjong Pagar Road, Singapore (088443)	Ordinary	100%	31-Dec	Indirect***
Creo Medical SL (formerly Albyn Medical SL)	Spain	Trading	Cordovilla (Nevarra), Poligno Industrial Cordovilla, calle D, Munero 1	Ordinary	100%*	31-Dec	Direct
Creo Medical SAS (Albyn Medical SAS)	France	Trading	9 avenue Jean Prouve, 88100 Sain-des-Vosges	Ordinary	100%*	31-Dec	Indirect**
Creo Medical UK Limited (formerly Albyn Medical Limited)	UK	Trading	Kintail House, Beechwood Park, Inverness, Highland, IV2 3WB	Ordinary	100%*	31-Dec	Indirect**
Creo Medical GmbH (formally Endo-Technik Wolfgang Griest GmbH)	Germany	Trading	Vertrieb und Handelmit medizinischen Geraten, Langenfeld	Ordinary	100%*	31-Dec	Indirect**
Premier Endoscopy	UK	Dormant	Creo House, Unit 2 Beaufort Park, Beaufort Park Way, Chepstow, Wales, NP16 5UH	Ordinary	100%*	30-Sep	Indirect**
Wiest Uropower Limited	Germany	Dormant	Creo House, Unit 2 Beaufort Park, Beaufort Park Way, Chepstow, Wales, NP16 5UH	Ordinary	100%*	30-Sep	Indirect**
Boucart Medical SRL	Belgium	Trading	1070 Anderlecht, rue des Veterinaires 42, Belgium	Ordinary	100%*	31-Dec	Indirect**
Aber Electronics Limited	UK	Trading	Creo House, Unit 2 Beaufort Park, Beaufort Park Way, Chepstow, Wales, NP16 5UH	Ordinary	100%	31-Dec	Indirect***

Wiest Uropower and Premier Endoscopy are dormant entities and we have no intention of trading through these companies. As a result their year-ends have not been aligned with that of the Group.
* Monkey Business Consulting SL retained 5% of the shares in Albyn as at 31 December 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 and Note 23 related parties.
** Creo Medical SL holds 100% of the shares in these entities.
*** Creo Medical Limited holds 100% of the shares in these entities.

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 Group PLC has provided a statutory guarantee to this subsidiary in accordance with section 479C of the companies Act 2006.

The Company has an investment in equity shares in I.Q. Endoscopes. The Company 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.

The fair value calculation for 31 December 2022 is shown in Note 18 of the Accounts.

31. Parent Company fixed assets

(All figures £000's)	Land & Buildings	Assets under Construction	Total
Cost:			
At 1 January 2022	4,507	108	4,615
Additions	127	1,272	1,399
Transfers	105	(105)	–
At 31 December 2022	4,739	1,275	6,014
Accumulated Depreciation:			
At 1 January 2022	52	–	52
Charge for the year	128	–	128
At 31 December 2022	180	–	180
Net book value at 31 December 2022	**4,559**	**1,275**	**5,834**

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

32. Parent Company trade and other receivables

(All figures £'000)	**31 December 2022**	31 December 2021
Current:		
Other debtors	**139**	19
Social security and other taxes	**–**	20
Prepayments	**83**	41
Total current	**222**	80
Non-current:		
Amount owed by subsidiary undertaking	**118,876**	89,131
Total non-current	**118,876**	89,131
Total trade and other receivables	**119,098**	89,211

Amounts owed by subsidiary undertakings are unsecured and repayable on demand. Interest is charged on the debt at a rate of 3% per annum. 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.

Parent Company note to the financial statements...*continued*

33. Parent Company trade and payables

(All figures £'000)	**31 December 2022**	31 December 2021
Current:		
Derivatives	**–**	100
Other creditors	**2,387**	3,811
Interest bearing liabilities	**108**	–
Total current	**2,495**	3,911
Non-current:		
Interest bearing liabilities	**2,087**	–
Total trade and other payables	**4,582**	3,911

34. Staff numbers and costs

(All figures £'000)	**12 months to 31 December 2022**	12 months to 31 December 2021
Wages and salaries	**490**	652
Total remuneration	**490**	652

(All numbers)	**12 months to 31 December 2022**	12 months to 31 December 2021
The average monthly number of employees during the year was as follows		
Employees	**7**	7
	7	7

Staff costs are paid by Creo Medical Limited or Creo Medical Inc to the Directors. A proportion is then recharged for the services provided to the Company during the year. The total Directors' remuneration including details of the highest paid Director can be found in Note 6.

Parent Company note to the financial statements*...continued*

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CREO MEDICAL

Anything is Possible
with the Right Approach

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