Financial Statements
CMR Surgical Limited

For the year ended 31 December 2022

Company No. 08863657

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Company information

Company registration number:	08863657
Registered office:	1 Evolution Business Park Milton Road Cambridge CB24 9NG
Directors:	Supratim Bose Catherine Moukheibir Kelly Londy Per Methi Umur Hursever John Cassidy Irackli Mtibelishvili Fan Yu
Auditors:	Deloitte LLP 1 Station Square Cambridge CB1 2GA

Strategic report

Principal activities

The principal activity of the Group is the design, manufacturing, marketing and commercialisation of a next-generation surgical robotic system, Versius®. This system has been designed to fit seamlessly into today's operating rooms, working in harmony with the surgeon to improve patient outcomes and deliver value for healthcare providers.

Business review

The Group ended the year with an installed base of 111 Versius® systems, with 66 installations (2021: 49) in total in 2022 and revenue growing 92% year-on-year to £39.0 million. This represents strong growth against a challenging backdrop of longer sales cycles coming out of COVID-19 and the broader environment for large, complex capital sales. The European and Asia and Middle East ("AMEA") regions continued to be the largest markets for Versius® in the year with 26 and 34 systems installed, respectively. A further 6 systems were installed in Latin America following its launch in May 2022. Surgeons performed over 5,400 procedures using Versius® during the year, which represented year-on-year growth of 163% and remains a key indicator of the ability of Versius® to enable partner hospitals and surgeons to deliver the next generation of surgery for the benefit of their patients around the world. At year end, over 130 different types of surgical procedure have been performed using Versius®.

Subsequent to the year end, the Group has revisited its longer-term business plan resulting in a restructuring of the business, which is further described in the *Future Developments* section below.

At year end, the Group had cash reserves of £120.7m (2021: £241.2m) and net assets of £278.8m (2021: £317.1m).

Values

The company was founded to extend the proven benefits of minimal access surgery to all patients who need it and to provide a genuine alternative to six million patients each year who still have to undergo open procedures. To enable us to achieve this goal for patients, we strive to apply our four core values that underpin the way in which we operate. These are:

- **Ambitious**: to serve patients and transform surgery, we must be a successful, growing, global medical devices company.
- **Humble**: we strive to be self-aware. We take nothing for granted, admit mistakes and seek to understand and improve.
- **Fair and Responsible**: we have a duty of care to our patients, customers and colleagues. We are honest and behave in an ethical and transparent manner.
- **People Focussed:** we care about our patients, customers and colleagues. We respect and value each other's opinions and are an inclusive workplace.

Key performance indicators

Key performance indicators focussed on by the Group and achievements during the year were as follows:

Key Performance Indicator	2022	2021
Number of procedures in registry	5,403	2,057
Installed base	111	49
Revenue (£ millions)	39.0	20.3

In the current stage of the development of the business, the focus is on driving forward and demonstrating the commercial adoption of the Versius® platform, while maintaining patient safety. This leads to revenue and installations being the critical KPIs for management in assessing the overall level of adoption by customers. The number of procedures in the surgical registry performs a two-fold purpose, as both a measure of the clinical impact and utilisation of the Versius® system, while also providing assurance around ongoing patient safety through the analysis that is performed on the clinical data recorded in the registry.

Results and dividends

The Group incurred a net loss of £166,220k (2021: £105,334k) and paid no dividends (2021: £Nil) during the year.

Principal risks and uncertainties

The principal risks and uncertainties and the mitigation strategies of the Group are as follows:

Medical Device Vigilance and Surveillance

The Group recognises the risks associated with a complex medical device and considers patient outcomes as critical to the value of Versius® to customers. We continually monitor patient outcomes through the data collected in our surgical registry. We compare these outcomes, both in aggregate and in detail, to ensure that deviations from published expected surgical outcomes are identified and addressed.

Attracting and retaining the right number of highly skilled staff

The Group's plan assumes that it can continue to attract and recruit highly skilled staff into the business both to fulfil its growth plans and also to reduce its dependency on critical staff members.

The Group mitigates this risk by paying market rate total compensation, maintaining a high profile online and in top-tier media, and fostering a market-leading working environment and culture, as expressed in our values set out above. It does this in order for it to be recognised as leading employer for talented staff wanting to work for a high growth, dynamic organisation that is seeking to change the surgical landscape for the better.

Technology

The Group is focused on its proprietary, next-generation, surgical robotic system to support and advance Minimal Access (keyhole) procedures. The successful development and delivery of the overall robotic system depends on the integration of a variety of technologies, each one of which represents a significant technical risk, which can only be mitigated through attracting high quality employees and building close cooperation with key suppliers.

The Group seeks to manage this risk through attracting highly skilled staff members with relevant industry experience, and through engagement with our customers and other key medical professionals to ensure that our technology developments are focussed on the most significant market needs.

Principal risks and uncertainties (continued)

Intellectual Property
In the field of medical robotics, it is possible that the Group may unknowingly infringe third party intellectual property rights or fail to protect some aspects of its proprietary system through patents. However, the Group devotes significant resources to ensure patent coverage and the Group has no knowledge of any infringements during the reporting period.

Regulatory
The Group secured CE mark in 2019 and continually monitors changes to the regulatory environment in the various markets in which it undertakes business. During the prior year, the Medical Device Regulation became effective in the EU and the Group implemented revised policies and procedures to ensure ongoing compliance with these new regulatory requirements.

Market
The number of relevant robotic-assisted surgeries continues to grow. In 2022 that growth was around 20%, and future growth is also estimated to be around 15-20% per annum over the medium term. The market remains dominated by one company, whose DaVinci technology assisted in performing over one million surgical procedures a year.

Access to finance
The Group assumes that it can continue to access the private and public financial resources required to support its ongoing development and scaling of the organisation.

In order to address this risk, the Group maintains strong relationships with institutional investors, family offices and other funding institutions. It does this through regular investor updates, meetings and presentations at relevant conferences and forums. See *Future Developments* section for more information.

Duty to have regard to certain matters in promoting the success of the Company
Under section 172(1) of the Companies Act the Directors are required to have regard to certain matters in promoting the success of the Company for the benefit of its members as a whole.

While some of the matters are considered by the Board as a whole, certain committees of the Board are particularly tasked with considering the impact of the Board's decisions on specific stakeholders. For instance, the Remuneration Committee regularly includes on its standing agenda items related to the impact of decisions on employees, while the Audit and Risk Committee maintains oversight over the maintenance of high standards of business conduct.

Employees

The Group's employees are a key asset and the Group seeks to attract, retain, develop and promote the best people to ensure that behaviours are aligned to our core values and our strategic objectives as a business – making minimal access surgery available to all that need it.

The Group's Directors and Executive Leadership team make regular visits to our overseas offices to meet and engage with the local operational teams to obtain first-hand feedback. The Group performs surveys of employee engagement on a regular basis, with a high response rate from the global employee base, and the key themes arising from these surveys are discussed by the Directors.

The Group also holds monthly online whole-company meetings with presentations from senior management and Director representation, including question and answer sessions where employees can raise matters of interest.

Duty to have regard to certain matters in promoting the success of the Company (continued)

From the feedback received, Employee Representation Groups were set up in the year from employees to discuss departmental issues with Senior Leadership and draw up action plans to address key topics raised from the Company-wide employee surveys. To help people grow professionally and personally, a calendar of external speakers have shared their lived experiences across a range of topics and backgrounds. In addition, Colour Insights was introduced across the Group during the year to help employees understand their learning styles, their colleagues and how these can be unified to enhance how we collaborate across the Group.

Suppliers and customers

The Directors have endeavoured to foster the Group's business relationships with suppliers, customers and others through:

- continually monitoring customer feedback, including through informal customer interactions and frequent Net Promoter Score surveys, to identify opportunities for improvements in the Group's products and services; and
- developing long-term strategic relationships with key suppliers, especially those related to the manufacture of Versius®, that enable those suppliers to understand and plan for the future expected growth of the business.

Our development strategy and prioritisation for product improvement is linked to the feedback provided so that the Group can best serve the needs of our current and future customers.

Shareholders

Shareholders are also a key stakeholder in the Group and regular interactions are achieved as result of our larger investors having representatives on the Board and therefore are actively involved in the decision-making process of the Group.

Future developments

See *Post balance sheet events* section of the Directors' Report on page 10 for details on future developments.

Approved by the Board of Directors and signed on behalf of the Board on 25 September 2023.

DocuSigned by:

Signer Name: Supratim Bose
Signing Reason: I approve this document
Signing Time: 25-Sep-2023 | 16:31:56 BST
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Supratim Bose
Director

Report of the directors

The directors present their report and the financial statements of the Group and Company for the year ended 31 December 2022.

Directors and their interests

The directors who held office at 31 December 2022 and up to the date of this report were:

Director	Shares owned at 31 December 2022	% shares owned	Interest in options at 31 December 2022
Tony Vernon (1)	3,103	0.05%	5,000
Bill McComb (2)	1,407	0.02%	5,000
Catherine Moukheibir	563	0.01%	5,000
Kelly Londy	456	0.01%	5,000
Umur Hursever	-	-	-
Per Methi (3)	50,300	0.86%	-
John Cassidy (4)	-	-	-
Irackli Mtibelishvili (5)	-	-	-
Per Vegard Nerseth (6)	778	0.01%	91,417
Supratim Bose (7)	-	-	-
Fan Yu (8)	-	-	-

(1) Tony Vernon resigned as a director of the Company on 29 March 2023

(2) Bill McComb resigned as a director of the Company on 29 March 2023

(3) Per Methi's shares are held through Escala Capital AS (8,000 shares) and through a life insurance policy issued by Wealins SA (42,300 shares). Per Methi is a director of, and owns 100% of, Escala Capital AS and is the sole beneficiary of the insurance policy issued by Wealins SA.

(4) John Cassidy was appointed as a director of the Company on 27 October 2022.

(5) Irackli Mtibelishvili was appointed as a director of the Company on 11 October 2022.

(6) Per Vegard Nerseth resigned as a director of the Company on 27 March 2023

(7) Supratim Bose was appointed as a director of the Company on 15 June 2023

(8) Fan Yu was appointed as a director of the Company on 15 August 2023

Directors during the financial year

In addition to the Directors at 31 December 2022 listed above, the following individuals served as Directors of the Company during the year:

Egor Kulkov	(resigned 11 October 2022)
Elizabeth Wells	(resigned 27 October 2022)

Dividends

The Directors do not recommend the payment of a dividend in respect of the current year (2021: £nil).

Political and charitable donations

The Group has not made any political donations during the year (2021: £nil). The Group has made charitable donations during the year of £12k (2021: £3k).

Directors' and officers' liability insurance

The Group maintains insurance cover, including qualifying third party indemnity provisions, for the benefit of directors and key personnel against liabilities which may be incurred by them while carrying out their duties. This was in place during the year and remains in force at the date of this report.

Employee engagement

The Group has put in place a variety of measures to systematically inform employees on matters of concern. A principal element has been monthly online whole-company meetings with presentations from senior management, including question and answer sessions where employees can raise matters of interest. The Group performs surveys of employee engagement on a regular basis, with a high response rate from the global employee base, and the key themes arising from these surveys are discussed by the Directors. The Group encourages employee share ownership, both through the issue of options as part of the Group's short term incentive plans and, when possible, by enabling employees to invest alongside other parties in funding rounds.

Employment of disabled persons

We are making considerable efforts to improve the diversity of our workforce and we want people to feel like they can be themselves at work. We always aim to value and respect our colleagues, embracing our differences and making them our strengths. During the year we have invested in updating our hiring processes and are improving our job adverts to attract a wider, more diverse pool of talent regardless of any disabilities. While no employees have become disabled while in the Group's employment, the Group commits to providing reasonable adjustments and training to affected employees if this were to occur.

United Kingdom greenhouse gas emissions and energy consumption

In the year the total UK greenhouse gas emissions and energy consumption were as follows:

	Year ended 31 December 2022	Year ended 31 December 2021
Greenhouse gas emissions (tonnes of CO_2 equivalent)		
- From combustion of gas and transportation	131	68
- From electricity consumption	198	172
	329	240
Energy consumption (MWh)		
- From combustion of gas and transportation	412	279
- From electricity consumption	745	742
	1,157	1,021
Energy consumption in kWh per UK employee	1,557	1,911

The key inputs in calculating the figures above were UK electricity consumption and business mileage reimbursed to employees, which were then converted using the data provided in the Department of Business, Energy and Industrial Strategy's greenhouse gas reporting conversion factors 2022 dataset.

Over the past three financial years, the Group has witnessed dramatic growth following significant investment in the technical offering provided by the Versius® system. The expansion of the organisation presents usual scale-up challenges in terms of developing the technical capacity to produce, distribute and train surgical teams with the ultimate vision of bringing minimal access surgery (MAS) to more people globally.

United Kingdom greenhouse gas emissions and energy consumption (continued)
In addition, the growth of the organisation has created a requirement to increase the manufacturing capacity of the company.

To support this growth, the Company opened a new manufacturing facility at Ely, Cambridgeshire. The construction of the new facility incorporates Science-Based carbon reduction systems that include improved building insulation, PV panels, and air sourced ventilation as well as harvesting of rainwater to lessen the impact of the facility on the environment. Furthermore, the attention to landscaping of the soft verges is designed to promote biodiversity in flora and fauna.

The development of the manufacturing environment ensures that development of knowledge and skill is retained in the UK, rather than exporting the manufacturing process overseas.

Additionally, the Company has recognised that while there are certain work activities that can only be performed from the workplace, there are other tasks and functions that are not limited to the workplace setting to provide optimal performance. As such, the Company has adopted an agile working pattern, providing flexibility for those that can work remotely to do so, thus aiding to limit employee business mileage.

Going Concern
The financial statements have been prepared on a going concern basis. During the year the Group obtained additional equity financing through the second closing of its Series D round with total gross proceeds of £125 million received. Subsequent to the year end, the Group received £133.2m in consideration for convertible loan notes. Coupled with the actions described in the *Post balance sheet events* section below, the Directors consider that the cash balances on hand and available to the Group will be sufficient for the Group to continue in business for a period of at least twelve months from the date of this report.

Financial risk management policies and objectives
The Group manages its key financial risks as follows. Further details are provided in note 21 of the Consolidated financial statements.

Interest rate risk
The Group does not seek to manage interest rate risk as the Group had no interest-bearing borrowings during the year.

Liquidity risk
The Group has an ongoing requirement to fund its R&D and commercialisation programme and prepares forecasts and cashflows to manage its funding requirements.

Currency risk
The Group mitigates foreign currency risks by forecasting significant cash outflows in currencies other than GBP and purchasing currency as required to enable the Group to settle known foreign currency commitments.

Engagement with suppliers, customers and others in a business relationship

The Directors have endeavoured to foster the Group's business relationships with suppliers, customers and others through:

- continually monitoring customer feedback, including through informal customer interactions and frequent Net Promoter Score surveys, to identify opportunities for improvements in the Group's products and services; and
- developing long-term strategic relationships with key suppliers, especially those related to the manufacture of Versius®, that enable those suppliers to understand and plan for the future expected growth of the business.

For further information, see the Strategic Report on pages 3-6.

Research and development

The Group spent £30,835k (2021: £23,247k) on research and development activities during the year, of which £nil (2021: £nil) has been capitalised within intangible assets.

Post-balance sheet events

In January 2023, the Group opened its new manufacturing facility in Ely, Cambridgeshire providing a state-of-the-art facility, which will allow the Group to meet the long-term demand requirements of Versius®.

In March 2023, it was announced that Per Vegard Nerseth had resigned as Chief Executive Officer of the Group, being replaced by Supratim Bose. In addition, the Board approved a revision to the Group business plan, key elements of which included the following:

- the creation of a lean, focused and efficient and sustainable operating model which sees the Group headcount reduce from over 1,000 to around 650 with expected one-off costs of £3.5m
- delivery against a focused programme of improvements to further enhance the performance of Versius®
- the development of a more focused, customer-centric go-to-market strategy; and
- clear plans to support successful further regulatory approvals including in the US and Japan

The Group launched a new fundraising round in the second quarter of 2023 to finance the new business plan. This financing, comprising a convertible loan note of £133.2m, is intended to fund the business through to profitable growth and positive cash generation. As the date of signing these financial statements, all monies have been received.

Subsequent to the year end, an internal audit review in AMEA region concluded where it was found that some of the local customer contracts have not reflected the full scope of the commercial agreements made with the customers. As a result of further investigation, it was determined that some of the rights and obligations within these contracts were therefore not enforceable which has resulted in a restatement of prior year results, reducing revenue by £3.3m in 2021 and by £0.9m in 2020. Further information is provided in note 27 to the Group financial statements.

Directors' responsibilities for the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group financial statements in accordance with United Kingdom adopted international accounting standards. The directors have chosen to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing the parent company financial statements, the directors are required to:

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

In preparing the group financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements of the financial reporting framework are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

The auditor, Deloitte LLP, is deemed to have been reappointed in accordance with section 487 of the Companies Act 2006.

Approved by the Board of Directors and signed on behalf of the Board on 25 September 2023.

DocuSigned by:

Supratim Bose
Director

Signer Name: Supratim Bose
Signing Reason: I approve this document
Signing Time: 25-Sep-2023 | 16:32:18 BST
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Independent auditor's report to the members of CMR Surgical Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of CMR Surgical Limited (the 'parent company') and its subsidiaries (the 'group') 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 for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and parent company statements of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated statement of cash flows;
- the statement of accounting policies; and
- the related notes 1 to 27 in the consolidated financial statements and the related notes 1 to 13 in the parent company financial statements.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and United Kingdom adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and 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.

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

Other information

The other information comprises the information included in the annual reports, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the 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.

Auditor's responsibilities for the audit of the financial statements

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

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 auditor's report.

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

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.

We considered the nature of the group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, internal audit, the audit committee and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the group's business sector, and refer to the disclosures made by the directors in note 25 to the financial statements.

We obtained an understanding of the legal and regulatory frameworks that the group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and tax legislation and Indian laws and regulations; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included:
    - Medical and Healthcare Product Regulatory Agency ("MHRA")
    - European Medicines Agency ("EMA")
    - Sunshine Act, Anti-Kick Backs/False Claims Act and UK Bribery Act.
    - General Data Protection Regulations
    - Health and Safety Act and
    - Employment Regulations

We discussed among the audit engagement team including significant component audit teams and relevant internal specialists such as tax, IT, forensic, valuations and industry specialists the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud or non-compliance with laws and regulations in the following areas, and our procedures performed to address them are described below:

- Accuracy of the allocation of total contract price to performance obligations and cut-off of revenue recognition: Many sales contracts entered into by the company involve bundled performance obligations. In order to address this, we tested the design and implementation of relevant controls and we performed a detailed review of customer contracts and tests of detail over the revenue balance including challenging management's judgment on price allocation and seeking any contradictory evidence; and
- Occurrence, accuracy and completeness of revenues in respect of the AMEA region as described in notes 25 and 27 of the financial statements: We discussed the background to the matter with management and those charged with governance to understand the facts and circumstances and how management had responded. We tested the design and implementation of relevant controls. We recalculated management's adjustment to check the mathematical accuracy. We challenged management on the accounting treatment and substantiated the scope of the commercial agreements made with the customers. We independently requested customer confirmations of the nature of their agreements with the group.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit, in-house and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, and reviewing internal audit reports.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

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

DocuSigned by:

Signer Name: Christopher Aylott
Signing Reason: I approve this document
Signing Time: 25-Sep-2023 | 19:11:06 BST
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Christopher Aylott FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Cambridge
United Kingdom
25 September 2023

Consolidated statement of comprehensive income

		Year ended 31 December 2022	Year ended 31 December 2021 *restated*
		£'000	£'000
Revenue	3, 27	**38,982**	20,344
Cost of sales		**(89,917)**	(52,212)
Gross loss		**(50,935)**	(31,868)
Sales and marketing expenses		**(31,655)**	(19,453)
Research and development expenses		**(30,835)**	(23,247)
General and administrative expenses		**(51,232)**	(30,275)
		(164,657)	(104,843)
Finance costs	7	**(1,150)**	(798)
Finance income receivable	7	**1,211**	497
Loss for the year before taxation	4	**(164,596)**	(105,144)
Tax expense	8	**(1,624)**	(190)
Net loss for the year		**(166,220)**	(105,334)
Other comprehensive income/(expense) which may be reclassified to profit and loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(703)**	322
Total comprehensive expense for the year		**(166,923)**	(105,012)
Attribution of total comprehensive expense			
Attributable to owners of the parent		**(166,676)**	(104,888)
Attributable to non-controlling interests		**(247)**	(124)
		(166,923)	(105,012)

All activities relate to continuing activities

Consolidated statement of financial position

		31 December 2022	31 December 2021 *restated*	1 January 2021 *restated*
		£'000	£'000	£'000
Non-current assets				
Intangible assets	9	**12,317**	13,016	14,389
Property, plant and equipment	10	**36,871**	16,309	11,156
Right of use assets	11	**24,230**	15,120	11,145
Total non-current assets		**73,418**	44,445	36,690
Current assets				
Inventories	12	**84,353**	41,109	31,228
Current tax assets	8	**2,585**	950	3,168
Trade and other receivables	13, 27	**65,095**	33,619	10,220
Cash and cash equivalents	14	**120,752**	241,272	84,397
Total current assets		**272,785**	316,950	129,013
Total assets		**346,203**	361,395	165,703
Current liabilities				
Trade and other payables	15, 27	**39,614**	26,549	16,282
Current tax liabilities	8	**874**	198	-
Other liabilities	16	**2,560**	1,388	806
Total current liabilities		**43,048**	28,135	17,088
Non-current liabilities				
Other liabilities	16	**24,335**	16,131	11,505
Total non-current liabilities		**24,335**	16,131	11,505
Total liabilities		**67,383**	44,266	28,593
Equity				
Share capital	17	**1**	1	1
Share premium	17	**737,098**	611,210	328,043
Translation reserve	17	**(457)**	264	(10)
Retained earnings	17, 27	**(458,139)**	(294,910)	(191,612)
Total equity attributable to owners of the parent		**278,503**	316,565	136,422
Equity attributable to non-controlling interests		**317**	564	688
Total equity		**278,820**	317,129	137,110
Total liabilities and equity		**346,203**	361,395	165,703

These financial statements were approved by the Board of Directors and authorised for issue on 25 September 2023. They were signed on its behalf by:

Supratim Bose
Director
CMR Surgical Limited
Registered no. 08863657

DocuSigned by:

Signer Name: Supratim Bose
Signing Reason: I approve this document
Signing Time: 25-Sep-2023 | 16:33:16 BST
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The accompanying accounting policies and notes form part of these financial statements.

Consolidated statement of changes in equity

		Share capital £'000	Share premium £'000	Retained earnings £'000	Translation reserve £'000	Total equity attributable to owners of the parent £'000	Equity attributable to non-controlling interests £'000	Total equity £'000
Balance at 1 January 2021		1	328,043	(190,724)	(10)	**137,310**	688	**137,998**
Prior year adjustment	27	-	-	(888)	-	**(888)**	-	**(888)**
Restated balance at 1 January 2021		1	328,043	(191,612)	(10)	**136,422**	688	**137,110**
Shares issued	18	-	303,467	-	-	**303,467**	-	**303,467**
Fees on issue of new equity shares		-	(20,300)	-	-	**(20,300)**	-	**(20,300)**
Employee share-based payment charge	19	-	-	1,864	-	**1,864**	-	**1,864**
Transactions with owners		-	283,167	1,864	-	**285,031**	-	**285,031**
Loss for the year		-	-	(101,763)	-	**(101,763)**	(172)	**(101,935)**
Other comprehensive income		-	-	-	274	**274**	48	**322**
Total comprehensive expense for the year		-	-	(101,763)	274	**(101,489)**	(124)	**(101,613)**
Balance at 31 December 2021		1	611,210	(291,511)	264	**319,964**	564	**320,528**
Prior year adjustment	27	-	-	(3,399)	-	**(3,399)**	-	**(3,399)**
Restated balance at 31 December 2021		1	611,210	(294,910)	264	**316,565**	564	**317,129**
Shares issued	18	-	125,888	-	-	**125,888**	-	**125,888**
Employee share-based payment charge	19	-	-	2,726	-	**2,726**	-	**2,726**
Transactions with owners		-	125,888	2,726	-	**128,614**	-	**128,614**
Loss for the year		-	-	(165,955)	-	**(165,955)**	(265)	**(166,220)**
Other comprehensive income		-	-	-	(721)	**(721)**	19	**(702)**
Total comprehensive expense for the year		-	-	(165,955)	(721)	**(166,676)**	(247)	**(166,923)**
Balance at 31 December 2022		**1**	**737,098**	**(458,139)**	**(457)**	**278,503**	**317**	**278,820**

There are no tax effects arising from other comprehensive income in either the current or prior years.
The loss for the year ended 31 December 2021, and the retained earnings and total reserves at that date have been restated as set out in note 27 of the Consolidated financial statements.

The accompanying accounting policies and notes form part of these financial statements.

Consolidated statement of cash flows

	Notes	2022 £'000	2021 *restated* £'000
Cash generated from operations			
Loss before tax	27	**(164,596)**	(105,144)
Adjustments	18, 27	**18,507**	13,083
Net changes in working capital	18, 27	**(63,321)**	(19,628)
Taxes (paid)/received		**(949)**	3,176
Cash outflow from operating activities		**(210,359)**	(108,513)
Investing activities			
Additions to property, plant and equipment		**(30,741)**	(11,436)
Additions to intangibles		**(2,900)**	(2,113)
Interest received from investing activities		**489**	65
Cash outflow used in investing activities		**(33,152)**	(13,484)
Financing activities			
Proceeds from share issues	18	**125,888**	303,467
Fees of issue of new equity shares		**-**	(20,300)
Payment of principal elements of lease liability		**(2,173)**	(859)
Interest paid	7	**(1,150)**	(795)
Investment in restricted cash deposits		**-**	(3,049)
Cash inflow from financing activities		**122,565**	278,464
Retranslation of cash balances		**426**	408
Net changes in cash and cash equivalents		**(120,520)**	156,875
Cash and cash equivalents, beginning of year		**241,272**	84,397
Cash and cash equivalents, end of year		**120,752**	241,272

Notes to the financial statements

1 **Summary of significant accounting policies**

Nature of operations

The principal activity of CMR Surgical Limited and its subsidiaries is the development and subsequent marketing and sale, post appropriate approvals, of a next-generation surgical robot to fit seamlessly into today's operating rooms, working in harmony with the surgeon to improve patient outcomes and deliver value for healthcare providers.

General information, statement of compliance with IFRSs and changes to accounting policies

The Company is a private, limited liability company, limited by its shares, incorporated and domiciled in the United Kingdom and registered in England and Wales. The registered address of the company is 1 Evolution Business Park, Milton Road, Cambridge, CB24 9NG. These financial statements are for the year ended 31 December 2022. They have been prepared in accordance with UK-adopted International Accounting Standards and the requirements of the Companies Act 2006 and IFRIC interpretations effective at 31 December 2022.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and derivative financial assets and financial liabilities measured at fair value through profit or loss, and in accordance with the Companies Act 2006. The financial statements are presented in pounds sterling (£) which is also the Company's functional currency.

The Company has elected to take the exemption under section 408 of the Companies Act 2006 from presenting the parent company profit and loss account. There have been no changes in significant accounting policies since the 2021 financial statements. The Company has concluded that there are no IFRS standards or IFRIC interpretations in issue that are not yet applied that will have a material effect on the financial statements.

Going Concern

The financial statements have been prepared on a going concern basis. During the year the Group obtained additional equity financing through the second closing of its Series D round with total gross proceeds of £125 million received. Subsequent to the year end, the Group received £133.2m in consideration for convertible loan notes. Coupled with the actions described in the Note 25 to these financial statements, the Directors consider that the cash balances on hand and available to the Group will be sufficient for the Group to continue in business for a period of at least twelve months from the date of this report.

Revenue

Revenue is recognised as the performance obligations to deliver products or services are satisfied and revenue is recorded based on the amount of consideration expected to be received in exchange for satisfying the performance obligations. Where a contract involves the delivery of multiple performance obligations, the consideration is allocated to the performance obligations in proportion to their stand-alone selling prices. Due to the small number of transactions in the current year estimated stand-alone selling prices have been used in the absence of reliable observable evidence of stand-alone pricing.

The main performance obligations, and their method of recognition, are as follows:

Sale of equipment and consumables	on delivery to the customer
Provision of access to equipment:	
- on an operating lease basis	over the period of the lease on a straight-line basis
- on a finance lease basis	on delivery to the customer
Stand-ready obligation to deliver consumables	over the period of the obligation on a straight-line basis
Provision of training courses	on completion of the training
Provision of service and maintenance	over the maintenance period on a straight-line basis

1 **Summary of significant accounting policies (continued)**

Revenue (continued)

Service and maintenance income is recognised on a straight line basis over the period of the maintenance contract as the customer benefits from the services, including ongoing monitoring and preventative maintenance and satisfaction of up-time commitments, throughout the maintenance period.

Where performance obligations are satisfied in advance of receipt of consideration from the customer the Group recognises a contract asset, also referred to as accrued revenue in note 13. Similarly, where performance obligations are satisfied subsequent to receipt of consideration from the customer the Group recognises a contract liability, also referred to as deferred revenue in note 15.

Where the contract grants the customer the right to use an asset over a period of time the implicit lease arrangement identified within the contract is accounted for based on the requirements of IFRS 16, including consideration of whether the implicit lease should be categorised as an operating lease or a finance lease.

Where contracts with customers incorporate a significant financing component a portion of the total consideration is allocated to finance income over the term of the arrangement and recognised at a constant rate of return earned on the outstanding balance over the period of the arrangement.

Property, plant and equipment

Property, plant and equipment is stated at cost, net of depreciation and any provision for impairment.

Disposal of assets

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit and loss.

Depreciation

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method, on the following bases:

Asset type	Estimated useful economic life	Note classification
Leasehold improvements	4 years	Short leasehold property
Computer equipment	3 years	Fixtures, fittings and equipment
Furniture and fixtures	5 years	Fixtures, fittings and equipment
Rental machines	5 years	Rental machines

Right of use assets which represent leases over land and buildings are depreciated over the period of the lease agreement.

Impairment testing of intangible assets and property, plant and equipment

Property, plant and equipment and intangibles, other than goodwill, are tested for impairment if events or changes in circumstances (assessed at each reporting date) indicate that the carrying amount may not be recoverable. When an impairment test is conducted, the recoverable amount is assessed by reference to the higher of the value in use (net present value of expected future cash flows of the relevant cash-generating unit), or the fair value less cost to sell.

Non-financial assets other than goodwill that suffer impairment are reviewed for possible reversal of the impairment at each reporting date.

1 Summary of significant accounting policies (continued)

Research and development

Expenditure on research activities is recognised as an expense in the period in which it is incurred. In the event that an internally generated intangible asset arises from the Group's development activities then it will be recognised only if all of the following conditions are met:

- it is technically feasible to complete the asset so it will be available for use;
- management intends to complete the asset and use or sell it;
- there is an ability to use or sell the asset;
- adequate technical, financial and other resources to complete the development and to use or sell the product are available;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Production overheads which are not absorbed into inventory as shown within Cost of Sales.

Costs of ordinarily interchangeable items are assigned using the first in, first out cost formula. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

Intangible assets

Intangible assets represent third party costs incurred in the filing of patent applications and course of supporting the process to grant such applications, together with capitalised development costs, as described more fully above. Patents have a finite useful life and are carried at cost less accumulated amortisation.

Amortisation

Amortisation is charged so as to write off the cost of intangible assets over their estimated useful lives, using the straight-line method, on the following bases:

Development costs	5 years
Patents and related costs	20 years

1 Summary of significant accounting policies (continued)

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

The UK Research & Development Expenditure Credit ("RDEC") is recognised in the income statement and netted off against Research and development expenses as the RDEC is of the nature of a government grant.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets and are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Deferred tax liabilities are provided in full, with no discounting. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the profit and loss.

Pension costs

The pension costs charged in the financial statements represent the contribution payable by the group during the period. The Group has no further payment obligation once the contributions have been paid.

Share-based payments

The Group operates an equity-settled share-based remuneration plan. The fair value of share options granted is recognised as an expense in profit and loss over the vesting period to reflect the value of the employee services received. The fair value of options granted is calculated using established option pricing models.

Where options over the Company's shares are granted to employees of subsidiaries of the Company, an addition to the investment in the subsidiary is recorded in the Parent Company financial statements equal to expense recorded by the subsidiary, with a corresponding credit to equity in the Parent Company.

Non-controlling interests

The Group has non-controlling interests related to the subsidiary in China (CMR Surgical Device Co Ltd), which has been fully consolidated. Where non-controlling interests subscribe for new equity shares of a consolidated subsidiary, these non-controlling interests are initially recognised at the fair value of the consideration paid. Subsequently the profits and losses of the non wholly-owned subsidiary are allocated pro-rata to the shareholders of the parent and the non-controlling interests based on their respective shareholdings in the relevant subsidiary.

1 Summary of significant accounting policies (continued)

Financial assets

Financial assets, including cash but excluding trade receivables that do not contain a significant financing component, are initially recognised at fair value. Trade receivables without a significant financing component are initially recognised at the transaction price. Financial assets are subsequently measured at amortised cost using the effective interest method, less provision for expected credit losses. Any change in their value through impairment or reversal of impairment is recognised in profit and loss.

The loss allowance for trade receivables, contract assets under IFRS 15 and lease receivables under IFRS 16 is measured at an amount equal to lifetime expected credit losses. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as expected changes of conditions at the reporting date, including time value of money where appropriate.

Financial liabilities

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities are recorded initially at fair value and subsequently at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance cost in the profit and loss.

A financial liability is derecognised only when the obligation is extinguished.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Leases

Leases, other than those with a term of less than 12 months or for low-value assets, are recognised as a right of use asset and a corresponding liability at the date at which the leased asset is made available for use. Lease payments are allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant period rate of interest on the remaining balance of the liability. The right of use asset is depreciated over the shorter of the right of use asset's useful economic life and the lease term on a straight-line basis.

In general, it is not expected that the discount rate implicit in the lease is available so the lessee's incremental borrowing rate is used. This is the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of a similar value in a similar economic environment with similar terms and conditions.

The Group applies the short-term lease recognition exemption to its short-term leases (ie. those that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of assets that are considered of low value (ie. below £5,000). Lease payments on short-term leases and leases of low-value assets are recognised on a straight line basis over the lease term.

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange on the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date, except non-monetary assets and liabilities measured at historical cost, which are translated using the rate of exchange at the initial transaction date. Exchange differences are included in other comprehensive income or in the income statement depending on where the gain or loss on the underlying item is recognised.

1 **Summary of significant accounting policies (continued)**

Foreign operations

Balance sheet items of foreign operations are translated into GBP on consolidation at the exchange rates at the reporting date. Income statement items and the cash flows of foreign operations are translated at average rates as an approximation to actual transaction rates, with actual transaction rates used for large one-off transactions. Foreign currency differences are recognised in 'Other comprehensive income' and accumulated in 'Other reserves' within equity. These include: exchange differences on the translation at closing rates of exchange of non-GBP opening net assets and the differences arising between the translation of profits into GBP at actual (or average, as an approximation) and closing exchange rates.

2 **Critical accounting judgements and key sources of estimation uncertainty**

In applying the Group's accounting policies, which are described in note 1, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

Impairment of trade receivables

Judgments have been made in respect of the expected credit losses in relation to outstanding invoices with customers. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as expected changes of conditions at the reporting date, including time value of money where appropriate. At year end, a £7.7m (2021: £0.3m) impairment has been booked against outstanding receivables.

Critical accounting judgements

The following are the critical judgements that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Allocation of contract consideration to performance obligations

When contracting with customers, the Group frequently agrees to provide a combination of performance obligations that will be satisfied at different points in time, or over different periods, with the result that the allocation of the transaction price between performance obligations can have a significant impact on the timing of revenue recognition over the contract.

In addition, due to the small size of the current customer base, there is often limited evidence as to the stand-alone selling price that would be associated with the performance obligations. In light of this uncertainty, management have placed greater weight on internal approved price lists, market data, and pricing achieved in other geographic markets, when estimating the stand-alone selling prices for performance obligations.

Fair value measurement of equity settled share-based payments

Management uses valuation techniques to determine the fair value at grant date of equity awards to employees. This involves developing estimates and assumptions consistent with how third parties would price the instruments. Given the unlisted nature of the Company's shares and early stage profile of the business, observable third party equivalent data is not always available and management have therefore applied judgement in the application of modelling techniques and selection of input data in the valuations.

Critical accounting judgements (continued)

Treatment of internal development expenses
Management reviews the internal development projects to determine whether they meet the criteria under IAS 38 for the recognition of an intangible asset arising from development. Management exercises judgement in the determination of whether a project represents the development of a new asset, or is maintenance and enhancement of an existing asset, for instance of the Versius system or an existing Versius instrument. During the current year, management have concluded that the internal development projects represent enhancements and maintenance of the existing product portfolio and as a result the related spending has been recorded as an expense in the period.

3 Revenue, contract balances and lessor arrangements

Revenue
The revenue for the year for Group can be analysed as follows:

	Year ended 31 December 2022	Year ended 31 December 2021 *restated*
	£'000	£'000
By region		
Europe	**21,780**	8,682
India and Middle East	**13,180**	9,784
Rest of World	**4,022**	1,878
	38,982	20,344
By type		
Installation of systems	**28,730**	17,699
Consumables, training, maintenance and service	**10,252**	2,645
	38,982	20,344

Contract balances
The contract assets and liabilities of the Group and Company at the end of the period are as follows:

		Year ended 31 December 2022	Year ended 31 December 2021 *restated*	Year ended 1 January 2021
		£'000	£'000	£'000
Contract assets	13	**6,585**	5,835	267
Contract liabilities	15	**13,189**	7,064	1,843

The contract liabilities primarily relate to advanced payments on future system sales, together with maintenance and service obligations paid in advance. These have increased in the year as a result of the high-growth in installation volumes in the year. Contract assets have not grown significantly in the year as most new sales require up-front invoicing for system and some service revenues. Revenue of £3,280k (2021: £382k) was recognised in the reporting period that was included in the contract liability balance at the beginning of the period.

The performance obligations related to the contract liabilities are primarily the provision of service and maintenance contracts over those service periods. The majority of these obligations are expected to be satisfied within one year of the end of the reporting period, with the remainder over the next four years.

3 Revenue, contract balances and lessor arrangements (continued)

Lessor arrangements

Lease receivables and the related gross lease contractual maturities related to finance lease arrangements are as follows:

	2022 £'000	2021 *restated* £'000
Gross contractual maturities		
Within one year	5,509	2,621
One to two years	5,187	2,551
Two to three years	5,242	2,891
Three to four years	5,565	3,170
Four to five years	4,699	3,484
Over five years	6,623	6,226
	32,825	**20,943**
Finance income relating to future periods	(3,448)	(2,071)
Performance obligations to be satisfied in future periods	(15,107)	(11,257)
Impairment provision	(807)	-
Net investment in finance leases	**13,463**	**7,615**
Reported within:		
Trade receivables	8,131	4,387
Accrued revenue	5,332	3,228
	13,463	7,615

4 Loss for the year before taxation

The loss for the year for the Group is stated after charging/(crediting):

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Depreciation:		
- Property, plant and equipment, owned	**8,982**	5,175
- Property, plant and equipment, right-of-use	**2,515**	1,346
Amortisation of intangibles	**3,599**	3,486
Write-downs of inventories	**1,466**	866
Impairment of trade receivables	**7,469**	213
Loss on disposal of property, plant and equipment	**746**	482
Cost of inventories recognised as an expense	**40,993**	26,821
Staff costs (see note 5)	**68,398**	47,331
Difference on foreign exchange	**(1,597)**	670
Fees payable to the Group auditor and associates for the audit of the Group and subsidiaries' annual accounts	**627**	250
Auditors' fees: non-audit services	**-**	-

5 Employee remuneration

Expenses recognised for employee benefits are analysed below for the Group:

Staff costs, including Directors, during the year were as follows:

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Wages and salaries	**53,319**	37,795
Social security costs	**7,204**	4,385
Company contributions to money purchase pension schemes	**3,722**	2,616
Benefits in kind	**1,427**	671
Share based payments	**2,726**	1,864
	68,398	47,331

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

	Year ended 31 December 2022 Number	Year ended 31 December 2021 Number
Manufacturing and customer support	**383**	294
Sales and marketing	**140**	77
Research and development	**208**	172
General and administrative	**187**	147
	918	690

Directors' remuneration is as follows:

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Emoluments	**759**	1,057
Company contributions to money purchase pension schemes	**42**	32
	801	1,089

The number of directors who exercised share options in the year was nil (2021: nil). Retirement benefits are accruing to 1 (2021: 1) director under money purchase schemes. No directors are accruing benefits under defined benefit schemes (2021: nil).

In respect of the highest paid Director the remuneration was as follows:

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Emoluments	**550**	615
Company contributions to money purchase pension schemes	**42**	32
	592	647

The highest paid Director did not exercise options over any shares (2021: nil).

6 Key management remuneration

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Emoluments	**2,131**	2,719
Social security costs	**363**	272
Pension costs	**148**	122
Benefits in kind	**26**	22
Share based payments	**1,359**	605
Total short-term employee benefits	**4,027**	3,740

7 Finance income and costs

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Finance income		
Bank interest receivable	**514**	65
Interest receivable on contract assets	**697**	432
	1,211	497
Finance costs		
Interest on right of use liabilities	**(1,038)**	(795)
Other interest payable	**(112)**	(3)
	(1,150)	(798)

8 Tax expense

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 *restated* £'000
Current tax		
UK corporation tax	**-**	-
Foreign tax	**664**	22
Adjustments for prior years	**960**	168
	1,624	190
Deferred tax	**-**	-
	1,624	190

8 Tax expense (continued)

The relationship between the expected tax benefit based on the effective tax rate of the Group at 19%, (2021: 19%) and the tax benefit actually recognised in the income statement can be reconciled as follows:

	Year ended 31 December 2022	Year ended 31 December 2021 *restated*
	£'000	£'000
Loss for the year before taxation	**(164,596)**	(105,144)
Tax rate	**19%**	19%
Expected tax benefit	**(31,273)**	(19,977)
Effect of overseas tax rates	**(606)**	504
Expenses not deductible for tax purposes	**3,966**	419
Deferred tax not recognised	**28,909**	19,076
Utilisation of previous tax losses	**(332)**	-
Adjustments in respect of prior periods	**960**	168
Tax charge	**1,624**	190

The Group has not recognised the net deferred tax asset which would arise from the losses carried forwards, less a non-current asset temporary difference principally arising on the capitalised development costs, due to uncertainty regarding the timing of generation of taxable profits. Tax losses at 31 December 2022 amount to £433m (2021: £266m), which would correspond to an unrecognised deferred tax asset of £108.3m (2021: £66.5m). A chargeable temporary difference of £7.2m (2021: £7.2m) arises on capitalised development costs for which no tax deduction will be received in future periods.

As at the balance sheet date the standard rate of corporation tax in the UK was 19%, however on 10 June 2021 legislation was enacted to amend the standard rate of corporation tax in the UK for period from 6 April 2023 to 25%. The unrecognised deferred tax assets have therefore been calculated at a rate of 25%.

The £950k tax credit under the UK Research and Development Expenditure Credit ("RDEC") scheme has also been reclassified from Tax expense to Research and development expenses in order to show consistent presentation. This has also impacted the 2021 presentation of Loss for the year before taxation in the Consolidated Statement of comprehensive income and the Consolidated Statement of cash flows.

9 Intangible assets

	Development costs £'000	Patents £'000	Total £'000
Cost:			
At 1 January 2021	16,005	4,440	20,445
Additions	-	2,113	2,113
At 31 December 2021	**16,005**	**6,553**	**22,558**
Additions	-	2,900	2,900
At 31 December 2022	**16,005**	**9,453**	**25,458**
Amortisation:			
At 1 January 2021	5,602	454	6,056
Provided in the period	3,201	285	3,486
At 31 December 2021	**8,803**	**739**	**9,542**
Provided in the period	3,201	398	3,599
At 31 December 2022	**12,004**	**1,137**	**13,141**
Net book amount:			
At 31 December 2022	**4,001**	**8,316**	**12,317**
At 31 December 2021	7,202	5,814	13,016

Amortisation of £3,599k (2021: £3,486k) is included within cost of sales. The remaining amortisation period of the development costs is 1.25 years (2021: 2.25 years).

10 Property, plant and equipment

	Rental Machines £'000	Short Leasehold Property £'000	Fixtures, Fittings and Equipment £'000	Total £'000
Cost:				
At 1 January 2021	6,356	1,503	8,816	16,675
Additions	4,680	729	6,027	11,436
Disposals	(1,607)	-	(9)	(1,616)
Exchange differences	(98)	(1)	10	(89)
At 31 December 2021	**9,331**	**2,231**	**14,844**	**26,406**
Additions	7,315	7,944	15,482	30,741
Disposals	(1,629)	(75)	(319)	(2,023)
Exchange differences	221	25	18	264
At 31 December 2022	**15,238**	**10,125**	**30,025**	**55,388**
Depreciation:				
At 1 January 2021	1,081	670	3,768	5,519
Provided in the period	1,685	372	3,118	5,175
Disposals	(592)	-	(2)	(594)
Exchange differences	(9)	2	4	(3)
At 31 December 2021	**2,165**	**1,044**	**6,888**	**10,097**
Provided in the period	2,483	857	5,642	8,982
Disposals	(421)	(55)	(138)	(614)
Exchange differences	47	1	4	52
At 31 December 2022	**4,274**	**1,847**	**12,396**	**18,517**
Net book amount:				
At 31 December 2022	**10,964**	**8,278**	**17,629**	**36,871**
At 31 December 2021	7,166	1,187	7,956	16,309

The depreciation charge for the year was included within the following expense categories:

	2022 £'000	2021 £'000
Cost of sales	**5,761**	3,107
Sales and marketing	**236**	39
Research and development	**1,115**	564
General and administrative	**1,870**	1,465
	8,982	5,175

11 Right of use assets

	Land and buildings £'000	Motor vehicles £'000	Total £'000
Cost:			
At 1 January 2021	12,981	-	12,981
Additions	5,323	-	5,323
Exchange differences	2	-	2
At 31 December 2021	**18,306**	**-**	**18,306**
Additions	11,508	72	11,580
Disposals	(343)	-	(343)
Exchange differences	105	-	105
At 31 December 2022	**29,576**	**72**	**29,648**
Depreciation:			
At 1 January 2021	1,836	-	1,836
Provided in the period	1,346	-	1,346
Exchange differences	4	-	4
At 31 December 2021	**3,186**	**-**	**3,186**
Provided in the period	2,500	15	2,515
Disposals	(300)	-	(300)
Exchange differences	17	-	17
At 31 December 2022	**5,403**	**15**	**5,418**
Net book amount:			
At 31 December 2022	**24,173**	**57**	**24,230**
At 31 December 2021	15,120	-	15,120

The depreciation charge for the year was included within the following expense categories:

	2022 £'000	2021 £'000
General and administrative	**2,515**	1,346

12 Inventories

	2022 £'000	2021 £'000
Components and raw materials	**56,656**	21,348
Work in progress	**4,249**	2,232
Finished goods	**23,448**	17,529
	84,353	41,109

Inventory costs totalling £40,993k (2021: £26,821k) were charged as an expense. A portion of these inventory costs, for instance related to systems used for demonstration purposes, in research and development or in regulatory applications were charged outside of cost of sales.

13 Trade and other receivables

	2022 £'000	2021 *restated* £'000
Trade receivables	**31,412**	11,758
Other receivables	**19,628**	10,398
Restricted cash deposits	**3,158**	3,058
Prepayments	**4,312**	2,570
Accrued revenue	**6,585**	5,835
	65,095	33,619

The loss allowance recorded against trade receivables and contract assets during the year was as follows:

	2022 £'000	2021 £'000
At beginning of year	**255**	42
Charged to profit and loss during the year	**7,469**	213
Amounts written off	**-**	-
At end of year	**7,724**	255

At 31 December, the ageing analysis of trade receivables (net of provision for impairment) was as follows:

			Past due not impaired				
	Total £'000	Neither past due nor impaired £'000	Less than 3 months £'000	3 to 6 months £'000	6 to 9 months £'000	9 to 12 months £'000	More than 12 months £'000
At 31 December 2022	**31,412**	**7,877**	**6,024**	**3,504**	**4,031**	**3,284**	**6,692**
At 31 December 2021	11,758	2,225	1,638	3,378	2,009	489	2,019

14 Cash and cash equivalents

Cash and cash equivalents include the following components:

	2022 £'000	2021 £'000
Cash at bank and in hand	120,752	241,272

15 Trade and other payables

Amounts falling due within one year	2022 £'000	2021 *restated* £'000
Trade payables	14,799	9,317
Other tax and social security	2,086	1,176
Other payables	500	1,280
Accruals	9,040	7,712
Deferred revenue	13,189	7,064
	39,614	26,549

16 Other liabilities

Amounts falling due within one year

	2022 £'000	2021 £'000
Dilapidation obligations	64	65
Lease liabilities	2,496	1,323
	2,560	1,388

Amounts falling due after one year

	2022 £'000	2021 £'000
Financial liability on preferred shares	25	25
Dilapidation obligations	938	968
Lease liabilities	23,372	15,138
	24,335	16,131

The financial liability on preferred shares relates to accrued interest totalling £25k (2021: £25k). A previous class of share, the Series A shares, were entitled to cumulative dividends at 6% per annum on the amount subscribed. On the adoption of new Articles during 2018, interest ceased to accrue. The interest will fall due when available distributable profits exist out of which the interest is permitted to be paid. No interest payments are expected to fall due relating to this liability during the next 12 months.

An arrangement is in place whereby beneficiaries of the outstanding interest are permitted to exchange their accrued interest for fully paid-up B Preferred Shares.

17 Share capital and reserves

Number of shares	At 1 January 2022	Shares issued	At 31 December 2022
Ordinary shares	1,316,206	2,053	**1,318,259**
A Preferred Shares	642,502	-	**642,502**
A+ Preferred Shares	446,536	-	**446,536**
B Preferred Shares	837,456	4	**837,460**
C Preferred Shares	764,807	3,103	**767,910**
D Preferred Shares	1,432,695	379,053	**1,811,748**
Total shares	**5,440,202**	**384,213**	**5,824,415**

The Company has six classes of shares in issue, Ordinary Shares and five classes of preferred share (A Preferred Shares, A+ Preferred Shares, B Preferred Shares, C Preferred Shares and D Preferred Shares, collectively "the Preferred Shares"), all of which have a nominal value of £0.0001 per share.

As part of the Series D financing round, certain existing shareholders transferred their shares to incoming new investors. Under the terms of the Series D agreements, the shares transferred as part of the round were redesignated to D Preferred Shares on completion of the transfer. Following the issuance of 918,699 D Preferred Shares issued in the prior year, certain shareholders committed to subscribing for a further 379,052 D Preferred Shares in June 2022 at the same per-share amount of £329.77 resulting in proceeds of £125,000k.

All dividends accrue equally to the holders of all classes of shares on a pari passu basis. All shares entitle the holder to vote at general meetings of the Company. Under certain circumstances related to significant corporate events, for instance an IPO or sale of the Company, the Preferred Shares hold rights to convert to Ordinary Shares.

The nature and purpose of each reserve within equity is set out below:

Reserve	**Purpose**
Share capital	The outstanding shares of the Company, recorded at the par value of those shares, being GBP 0.0001 per share.
Share premium	The aggregate of: • the amounts paid on subscription for shares in the Company, less the par value recorded in share capital; less, • any fees directly incurred in the issuance of new equity shares.
Translation reserve	Accumulated gains and losses on retranslation of foreign operations into the presentation currency of the Group.
Retained earnings	All other equity movements not attributed to another reserve as set out above. The most significant items relate to accumulated net losses, offset by accumulated credits in respect of equity-settled share-based payments.

18 Notes to the Consolidated statement of cash flows

Cash flow adjustments and changes in working capital

	Note	2022	2021
Adjustments:		**£'000**	£'000
Depreciation	10, 11	**11,497**	6,521
Amortisation	9	**3,599**	3,486
Share based payments charge	20	**2,726**	1,864
Loss on disposal of property, plant and equipment		**746**	482
Interest income		**(1,211)**	(65)
Interest expense		**1,150**	795
		18,507	13,083

	2022	2021 *restated*
Net changes in working capital:	**£'000**	£'000
Increase in trade and other receivables	**(33,111)**	(21,047)
Increase in inventories	**(43,244)**	(9,881)
Increase in trade and other payables	**13,065**	10,267
Increase in dilapidation obligations	**(31)**	1,033
	(63,321)	(19,628)

		Dilapidation obligations	Lease liabilities	Preferred shares	Total
Reconciliation of liabilities arising from financing activities:		**£'000**	**£'000**	**£'000**	**£'000**
At 1 January 2021		-	12,284	27	12,311
Inception of lease arrangements		287	5,036	-	5,323
Termination of lease arrangements		746	-	-	746
Repayments		-	(1,654)	-	(1,654)
Interest on lease liabilities		-	795	-	795
Exchange differences		-	-	(2)	(2)
At 31 December 2021		**1,033**	**16,461**	**25**	**17,519**
Inception of lease arrangements		-	11,580	-	11,580
Dilapidation expense		(31)	-	-	(31)
Repayments		-	(3,211)	-	(3,211)
Interest on lease liabilities		-	1,038	-	1,038
At 31 December 2022	16	**1,002**	**25,868**	**25**	**26,895**

	2022	2021
Allocation of proceeds from share issues:	**£'000**	£'000
Equity on issue of preferred shares	**125,888**	303,466
Equity on issue of ordinary shares	**-**	1
Proceeds from share issues	**125,888**	303,467

19 Share based payments

The Group operates a share option scheme for directors and employees of the Group. The fair value of share options has been estimated using a Black Scholes valuation model.

Under the scheme, there are three sub-schemes:

- the EMI scheme, granting options prior to May 2018, under which the majority of grants have options that vest one third on the Group receiving a CE mark for the Versius surgical robotic system with the remainder vesting in equal instalments over the subsequent 24 months. All options issued under the EMI scheme had either lapsed or been exercised by 31 December 2021;
- the CSOP scheme (for the UK), and ISO scheme (for the US), in operation thereafter, under which grants have options that vest one quarter on the fourth anniversary of the grant date and the remainder on the fifth anniversary of the grant date; and,
- the deferred bonus share plan (DBSP) scheme, under which certain employees receive option awards vesting over a two or three year period in annual instalments as part of the annual bonus plan.

The principal grants under the scheme, and the related inputs into the fair value model were as follows:

Grant date	**November 2018**	**April/May 2019**	**Various 2020**	**Various 2021**	**January 2021**	**January 2022**
Number of options	27,121	35,263	27,500	55,000	9,412	5,910
Per share fair value	£68.04	£173.31	£48.70	£48.70	£80.19	£92.60
Underlying instrument	Ordinary	Ordinary	Ordinary	Ordinary	Ordinary	Ordinary
Sub-scheme	CSOP/ISO	CSOP	CSOP	CSOP	DBSP	DBSP
Share price at grant date	£87.24	£200.00	£80.19	£80.19	£80.19	£92.60
Volatility	88%	88%	90%	90%	90%	50%
Option life	10 years	10 years	10 years	10 years	10 years	10 years
Dividend yield	0%	0%	0%	0%	0%	0%
Risk-free interest rate	1.5%	1.5%	1.5%	1.5%	1.5%	2.90%
Exercise price	£60.00	£60.00	£200.00	£200.00	£0.0001	£0.0001

At the end of the period the outstanding options and their exercise prices were as follows:

Exercise price	**Year ended 31 December 2022**	Year ended 31 December 2021
£0.001	**19,279**	13,892
£0.02	**10,121**	10,121
£60.00	**39,629**	41,129
£100.00	**7,500**	7,500
£179.90	**5,000**	-
£200.00	**72,500**	72,500
£230.00	**1,500**	1,500
£265.00	**81,500**	-
	237,029	146,642

19 Share based payments (continued)

As the Company's shares are not traded, the volatility has been estimated with reference to comparable early-stage medical device businesses as these are considered to exhibit a similar level of equity risk.

The number and weighted average exercise prices of share options were as follows:

	Number	Weighted average exercise price £
At 1 January 2021	161,909	60.27
Issued	80,440	196.42
Lapsed and cancelled	(43,632)	171.78
Exercised	(52,075)	0.02
At 31 December 2021	**146,642**	**123.18**
Issued	92,461	243.31
Lapsed and cancelled	(258)	-
Exercised	(1,816)	49.56
At 31 December 2022	**237,029**	**170.74**

Options over 25,928 Ordinary shares were exercisable at the end of the year (2021: 3,935). The weighted average remaining contractual life of outstanding options at the end of the period is 8.00 years (2021: 8.34 years).

20 Lessee arrangements

The Group has leases for the main office and manufacturing site, together with service locations and other offices. Leases are reflected on the balance sheet as a right of use asset within property, plant and equipment. The leases generally contain conditions that the underlying assets may not be sublet without the lessor's permission, are non-cancellable, and none of the leases give the Group any right to purchase the underlying asset.. There are no property leases other than those recorded as a right of use asset at the balance sheet date.

The properties to which the leases relate consist of buildings in Cambridge, UK across multiple sites, along with locations pertaining to most overseas subsidiaries. The remaining lease term on the properties ranges from 1 year to 15 years, with an average remaining lease term of 4 years. Discount rates in the range 2% - 10% have been applied in calculating the present value of the lease liabilities.

Future minimum lease payments at the balance sheet date were as follows:

	Payments £'000	Finance charges £'000	Present value £'000
Group			
Within one year	3,931	(1,475)	**2,456**
One to two years	3,856	(1,333)	**2,523**
Two to three years	3,466	(1,194)	**2,272**
Three to four years	3,203	(1,061)	**2,142**
Four to five years	3,083	(927)	**2,156**
Over five years	12,772	(3,526)	**9,246**
Total	**30,311**	**(9,516)**	**20,795**

21 Risk management objectives and policies

Financial instruments

The Group uses various financial instruments; these include cash deposits and various items such as trade receivables and trade payables that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations and manage working capital.

The main risks arising from the Group's financial instruments are credit risk on cash deposits, liquidity risk on accounts receivable and foreign exchange risk on cash balances, accounts receivable and accounts payable denominated in foreign currencies. Due to the high credit quality of the banks at which deposits are placed, and the Group holding sufficient liquid funds to settle the accounts payable in full, the overall risks arising from the Group's financial instruments are low. The Group monitors the recognised and expected foreign currency accounts payable and manages foreign currency cash balances to mitigate the net foreign currency exposure.

Interest rate risk

The Group's exposure to market risk for the changes in interest rates relates primarily to interest earned from its retained cash balances. The Group does not have any external borrowings other than the lease liabilities recognised under IFRS 16 which have fixed payments set at the time of entering into the leases.

Liquidity risk

The Group seeks to manage liquidity risk by ensuring sufficient liquidity is available to meet foreseeable needs. Liquidity needs are monitored by the Board on a periodic basis in the context of the management accounts and the business' budget.

As at 31 December, the Group financial liabilities, other than those related to leases set out in more detail in note 20 above, have contractual maturities as summarised below:

	2022	2021
	£'000	£'000
Within six months	**26,425**	19,485

The Group's financial liabilities also include the interest previously accrued on the Series A Preferred Shares that is classified as a financial liability (note 16).

21 Risk management objectives and policies (continued)

Credit risk

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date, as summarised below:

	2022	2021 *restated*
	£'000	£'000
Group		
Cash and cash equivalents	**120,752**	241,272
Trade receivables	**31,412**	11,758
Other receivables	**19,628**	10,398
Restricted cash deposits	**3,158**	3,058
Accrued revenue	**6,585**	5,835
	181,535	272,321

Cash and cash equivalents

The Group's principal financial assets are cash deposits. Risks associated with cash deposits are limited as the banks used have high credit ratings assigned by international credit rating agencies. The Group's treasury activities and main cash and cash equivalents are held in the UK by the Company, totalling £120,752k of the total group cash and cash equivalents. These balances are held at financial institutions with ratings, under the Moody's scale, of P-1 or better for short-term and A or better for long-term. No allowance for expected credit losses is recorded against these balances.

Trade receivables and contract assets

The Group first engaged in contracts with customers during 2019 and as a result the Group does not have extensive historical experience on the incurred credit losses from prior periods to inform a reliable model of expected credit losses from historical loss rates. Due to this, combined with the small number of customers and relatively high concentrations of risk, the trade receivables and IFRS 15 contract assets have been assessed for impairment on an individual basis. In making this assessment, trade receivables and contract assets have been assessed based on the days past due, the period over which the Group will be exposed to credit risk underlying credit quality of the counterparty, general economic conditions as well an assessment of both the current and expected changes of conditions at the reporting date, including time value of money where appropriate. Expected credit losses have been calculated as £7,724k (2021: £255k) for the year. See note 13 for more information.

21 Risk management objectives and policies (continued)

Currency risk

The Group is exposed to foreign currency risk, which is principally related to purchases from suppliers where transactions are denominated in EUR and USD and the Group's holdings of cash balances to enable settlement of those transactions.

The cash and cash equivalents, accounts receivable and accounts payable, held by the Group by currency are as follows:

Financial instrument	GBP £'000	USD £'000	EUR £'000	INR £'000	Other £'000	Total £'000
2022						
Cash and cash equivalents	104,709	1,564	5,373	7,410	1,696	**120,752**
Trade receivables	3,713	2,677	10,672	14,275	75	**31,412**
Trade payables	6,198	3,890	3,752	2	957	**14,799**
2021						
Cash and cash equivalents	222,474	3,533	12,146	525	2,594	**241,272**
Trade receivables	284	1,817	3,455	6,202	-	**11,758**
Trade payables	5,962	1,236	1,524	123	472	**9,317**

If the value of GBP were to have increased by 15% relative to foreign currencies the group would have recognised additional foreign exchange loss for the period of £943k (2021: £1,653k), alongside a translation loss in other comprehensive income of £299k (2021: loss of £1,591k).

22 Related party transactions

The Group did not enter into any transactions with related parties during the year other than those transactions with Directors and Key Management Personnel set out in note 6.

23 Summary of financial assets and liabilities by category

The carrying amounts of the assets and liabilities, which approximates their fair value, may also be categorised as follows at the balance sheet dates of the years under review:

	2022 £'000	2021 *Restated* £'000
Financial assets at amortised cost		
Accounts receivable	**31,412**	11,758
Other receivables	**29,371**	19,291
Cash and cash equivalents	**120,752**	241,272
	181,535	272,321
Financial liabilities measured at amortised cost		
Trade and other payables	**26,425**	19,485
Financial liability on preferred shares	**25**	25
	26,450	19,510

24 Capital management policies and procedures

The Group and Company's capital management objectives are to ensure the Group and Company's ability to continue as a going concern and to provide an adequate return to shareholders.

The Group monitors capital on the basis of the carrying amount of cash and cash equivalents, as shown on the face of the consolidated balance sheet, in relation to the financing needs of the business to execute the business plan. The Group places specific focus on the cash requirement to achieve significant corporate milestones that would influence the valuation at which the Group would be likely to raise additional equity capital.

25 Events subsequent to the balance sheet date

In January 2023, the Group opened its new manufacturing facility in Ely, Cambridgeshire providing a state-of-the-art facility, which will allow the Group to meet the long-term demand requirements of Versius®.

In March 2023, it was announced that Per Vegard Nerseth had resigned as Chief Executive Officer of the Group, being replaced by Supratim Bose. In addition, the Board approved a revision to the Group business plan, key elements of which included the following:

- the creation of a lean, focused and efficient and sustainable operating model which sees the Group headcount reduce from over 1,000 to around 650, with expected one-off costs of £3.5m
- delivery against a focused programme of improvements to further enhance the performance of Versius®
- the development of a more focused, customer-centric go-to-market strategy; and
- clear plans to support successful further regulatory approvals including in the US and Japan

The Group launched a new fundraising round in the second quarter of 2023 to finance the new business plan. This financing, comprising a convertible loan note of £133.2m, is intended to fund the business through to profitable growth and positive cash generation. As the date of signing these financial statements, all monies have been received.

Subsequent to the year end, an internal audit review in AMEA region concluded where it was found that some of the local customer contracts have not reflected the full scope of the commercial agreements made with the customers. As a result of further investigation, it was determined that some of the rights and obligations within these contracts were therefore not enforceable which has resulted in a restatement of prior year results, reducing revenue by £3.4m in 2021 and by £0.9m in 2020 (see note 27).

26 Ultimate controlling party

The directors deem that there is no ultimate controlling party by virtue that no one individual or corporate body holds a majority shareholding in the Company, nor voting rights.

27 Prior year restatement

The 2021 financial statements have been restated to include the impact of the items noted in note 25.

This has been corrected by restating each of the affected financial statement line items in the prior period as follows:

	2021 £'000	Revenue adjustment £'000	2021 restated £'000
Consolidated statement of comprehensive income			
Revenue	23,743	(3,399)	**20,344**
Gross profit	(28,469)	(3,399)	**(31,868)**
Loss for the year before taxation	(102,695)	(3,399)	**(106,094)**[1]
Net loss for the year	**(101,935)**	**(3,399)**	**(105,334)**
Consolidated statement of financial position			
Trade and other receivables	34,219	(600)	**33,619**
Trade and other payables	22,862	3,687	**26,549**
Retained earnings	(290,623)	(4,287)	**(294,910)**
Total equity	**321,416**	**(4,287)**	**317,129**
Consolidated statement of cash flows			
Loss before tax	(102,695)	(3,399)	**(106,094)**[1]
Net changes in working capital	(22,077)	3,399	**(19,628)** [1]

In addition, £888k of the revenue adjustment related to revenues recognised in periods prior to 2021. This adjustment has reduced Retained Earnings and Trade and other receivables by £888k in the 1 January 2021 Consolidated Statement of Financial Position on page 17. This does not impact the parent company.

[1]The figure presented in the respective Primary statement is also impacted by the presentation change described in note 8.

Parent company statement of financial position

	Note	31 December 2022 £'000	31 December 2021 £'000
Non-current assets			
Intangible assets	3	**12,314**	13,013
Property, plant and equipment	4	**25,056**	11,508
Right of use assets	5	**20,727**	14,046
Investments in subsidiaries	6	**3,652**	3,057
Total non-current assets		**61,749**	41,624
Current assets			
Inventories	7	**74,036**	35,510
Current tax assets		**2,585**	950
Trade and other receivables	8	**51,546**	34,263
Cash and cash equivalents		**108,316**	231,957
Total current assets		**236,483**	302,680
Total assets		**298,232**	344,304
Current liabilities			
Trade and other payables	9	**39,676**	20,742
Other liabilities	10	**1,635**	1,175
Total current liabilities		**41,311**	21,917
Non-current liabilities			
Other liabilities	10	**21,532**	15,256
Total non-current liabilities		**21,532**	15,256
Total liabilities		**62,843**	37,173
Equity			
Share capital	11	**1**	1
Share premium	11	**737,098**	611,210
Retained earnings	11	**(501,710)**	(304,080)
Total equity attributable to owners of the company		**235,389**	307,131
Total liabilities and equity		**298,232**	344,304

In accordance with section 408 of the Companies Act 2006 the statement of comprehensive income of the parent company has not been presented. The loss for the year totalled £200,356k (2021: £107,841k).

These financial statements were approved by the Board of Directors and authorised for issue on 25 September 2023. They were signed on its behalf by:

DocuSigned by:

Signer Name: Supratim Bose
Signing Reason: I approve this document
Signing Time: 25-Sep-2023 | 16:33:33 BST
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Supratim Bose
Director
CMR Surgical Limited
Registered no. 0886365

Parent company statement of changes in equity

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2021	1	328,043	(198,103)	**129,941**
Shares issued	-	303,467	-	**303,467**
Fees on issue of new equity shares	-	(20,300)	-	**(20,300)**
Employee share based payment charge	-	-	1,864	**1,864**
Transactions with owners	-	283,167	1,864	**285,031**
Loss for the year and total comprehensive expense	-	-	(107,841)	**(107,841)**
Balance at 31 December 2021	1	611,210	(304,080)	**307,131**
Shares issued	-	125,888	-	**125,888**
Employee share based payment charge	-	-	2,726	**2,726**
Transactions with owners	-	125,888	2,726	**128,614**
Loss for the year and total comprehensive expense	-	-	(200,356)	**(200,356)**
Balance at 31 December 2022	**1**	**737,098**	**(501,710)**	**235,389**

The loss for the year was the only element of total comprehensive income for the parent company in both the current and prior years.

Notes to the parent company financial statements

1 Summary of significant accounting policies

Nature of operations and General information

The principal activity of CMR Surgical Limited and its subsidiaries is the development and subsequent marketing and sale, post appropriate approvals, of a next-generation surgical robot to fit seamlessly into today's operating rooms, working in harmony with the surgeon to improve patient outcomes and deliver value for healthcare providers.

The Company is a limited liability company incorporated in the United Kingdom and registered in England and Wales. The registered address of the company is 1 Evolution Business Park, Milton Road, Cambridge, CB24 9NG.

Basis of preparation

These financial statements are for the year ended 31 December 2022. The financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and derivative financial assets and financial liabilities measured at fair value through profit or loss, and in accordance with the Companies Act 2006. The financial statements are presented in pounds sterling (£) which is also the Company's functional currency.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS101, as all equivalent disclosures are included in the Consolidated Financial Statements of the Group in which the entity is consolidated:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined).
- IFRS 7, 'Financial instruments: Disclosures'.
- Paragraph 38 of IAS 1, 'Presentation of financial statements' – comparative information requirements in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16, 'Property, plant and equipment'; and
  - paragraph 118(e) of IAS 38, 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period).
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d) (statement of cash flows);
  - 16 (statement of compliance with all IFRS);
  - 38A (requirement for minimum of two primary statements, including cash flow statements);
  - 38B-D (additional comparative information);
  - 111 (statement of cash flows information); and
  - 134-136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'.
- Paragraphs 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).
- The requirements in IAS 24, 'Related party disclosures', to disclose related party transactions entered into between two or more members of a group.

1 Summary of significant accounting policies (continued).

Going Concern

The financial statements have been prepared on a going concern basis. During the year the Group obtained additional equity financing through the second closing of its Series D round with total gross proceeds of £125 million received. Subsequent to the year end, the Group received £133.2m in consideration for convertible loan notes. The Directors consider that the cash balances on hand and available to the Group will be sufficient for the Group to continue in business for a period of at least twelve months from the date of this report.

Revenue

Revenue is recognised as the performance obligations to deliver products or services are satisfied and revenue is recorded based on the amount of consideration expected to be received in exchange for satisfying the performance obligations. Where a contract involves the delivery of multiple performance obligations, the consideration is allocated to the performance obligations in proportion to their stand-alone selling prices. Due to the small number of transactions in the current year estimated stand-alone selling prices have been used in the absence of reliable observable evidence of stand-alone pricing.

The main performance obligations, and their method of recognition, are as follows:

Sale of equipment and consumables	on delivery to the customer
Provision of access to equipment:	
- on an operating lease basis	over the period of the lease on a straight-line basis
- on a finance lease basis	on delivery to the customer
Stand-ready obligation to deliver consumables	over the period of the obligation on a straight-line basis
Provision of training courses	on completion of the training
Provision of service and maintenance	over the maintenance period on a straight-line basis

Service and maintenance income is recognised on a straight line basis over the period of the maintenance contract as the customer benefits from the services, including ongoing monitoring and preventative maintenance and satisfaction of up-time commitments, throughout the maintenance period.

Where performance obligations are satisfied in advance of receipt of consideration from the customer the Group recognises a contract asset, also referred to as accrued revenue in note 8. Similarly, where performance obligations are satisfied subsequent to receipt of consideration from the customer the Group recognises a contract liability, also referred to as deferred revenue in note 9.

Where the contract grants the customer the right to use an asset over a period of time the implicit lease arrangement identified within the contract is accounted for based on the requirements of IFRS 16, including consideration of whether the implicit lease should be categorised as an operating lease or a finance lease.

Where contracts with customers incorporate a significant financing component a portion of the total consideration is allocated to finance income over the term of the arrangement and recognised at a constant rate of return earned on the outstanding balance over the period of the arrangement.

1 Summary of significant accounting policies (continued)

Property, plant and equipment

Property, plant and equipment is stated at cost, net of depreciation and any provision for impairment.

Disposal of assets

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit and loss.

Depreciation

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method, on the following bases:

Asset type	Estimated useful economic life	Note classification
Leasehold improvements	4 years	Short leasehold property
Computer equipment	3 years	Fixtures, fittings and equipment
Furniture and fixtures	5 years	Fixtures, fittings and equipment
Rental machines	5 years	Rental machines

Right of use assets which represent leases over land and buildings are depreciated over the period of the lease agreement.

Impairment testing of intangible assets and property, plant and equipment

Property, plant and equipment and intangibles, other than goodwill, are tested for impairment if events or changes in circumstances (assessed at each reporting date) indicate that the carrying amount may not be recoverable. When an impairment test is conducted, the recoverable amount is assessed by reference to the higher of the value in use (net present value of expected future cash flows of the relevant cash-generating unit), or the fair value less cost to sell.

Non-financial assets other than goodwill that suffer impairment are reviewed for possible reversal of the impairment at each reporting date.

Research and development

Expenditure on research activities is recognised as an expense in the period in which it is incurred. In the event that an internally generated intangible asset arises from the Group's development activities then it will be recognised only if all of the following conditions are met:

- it is technically feasible to complete the asset so it will be available for use;
- management intends to complete the asset and use or sell it;
- there is an ability to use or sell the asset;
- adequate technical, financial and other resources to complete the development and to use or sell the product are available;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Costs of ordinarily interchangeable items are assigned using the first in, first out cost formula. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

1 Summary of significant accounting policies (continued)

Intangible assets

Intangible assets represent third party costs incurred in the filing of patent applications and course of supporting the process to grant such applications, together with capitalised development costs, as described more fully above. Patents have a finite useful life and are carried at cost less accumulated amortisation.

Amortisation

Amortisation is charged so as to write off the cost of intangible assets over their estimated useful lives, using the straight-line method, on the following bases:

Development costs	5 years
Patents and related costs	20 years

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets and are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Deferred tax liabilities are provided in full, with no discounting. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the profit and loss.

Pension costs

The pension costs charged in the financial statements represent the contribution payable by the group during the period. The Group has no further payment obligation once the contributions have been paid.

Share based payments

The Group operates an equity-settled share-based remuneration plan. The fair value of share options granted is recognised as an expense in profit and loss over the vesting period to reflect the value of the employee services received. The fair value of options granted is calculated using established option pricing models.

Where options over the Company's shares are granted to employees of subsidiaries of the Company, an addition to the investment in the subsidiary is recorded in the Parent Company financial statements equal to expense recorded by the subsidiary, with a corresponding credit to equity in the Parent Company.

1 Summary of significant accounting policies (continued)

Financial assets

Financial assets, including cash but excluding trade receivables that do not contain a significant financing component, are initially recognised at fair value. Trade receivables without a significant financing component are initially recognised at the transaction price. Financial assets are subsequently measured at amortised cost using the effective interest method, less provision for expected credit losses. Any change in their value through impairment or reversal of impairment is recognised in profit and loss.

The loss allowance for trade receivables, contract assets under IFRS 15 and lease receivables under IFRS 16 is measured at an amount equal to lifetime expected credit losses. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as expected changes of conditions at the reporting date, including time value of money where appropriate.

Financial liabilities

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities are recorded initially at fair value and subsequently at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance cost in the profit and loss.

A financial liability is derecognised only when the obligation is extinguished.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Leases

Leases, other than those with a term of less than 12 months or for low-value assets, are recognised as a right of use asset and a corresponding liability at the date at which the leased asset is made available for use. Lease payments are allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant period rate of interest on the remaining balance of the liability. The right of use asset is depreciated over the shorter of the right of use asset's useful economic life and the lease term on a straight-line basis.

In general, it is not expected that the discount rate implicit in the lease is available so the lessee's incremental borrowing rate is used. This is the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of a similar value in a similar economic environment with similar terms and conditions.

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange on the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date, except non-monetary assets and liabilities measured at historical cost, which are translated using the rate of exchange at the initial transaction date. Exchange differences are included in other comprehensive income or in the income statement depending on where the gain or loss on the underlying item is recognised.

In applying the Company's accounting policies, which are described in note 1, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised.

2 Critical accounting judgements and key sources of estimation uncertainty

Key sources of estimation uncertainty

Management considered the current balance sheet and have concluded that there are no key assumptions being made concerning the future, nor other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Critical accounting judgements

The following are the critical judgements that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Allocation of contract consideration to performance obligations

When contracting with customers, the Group frequently agrees to provide a combination of performance obligations that will be satisfied at different points in time, or over different periods, with the result that the allocation of the transaction price between performance obligations can have a significant impact on the timing of revenue recognition over the contract.

In addition, due to the small size of the current customer base, there is often limited evidence as to the stand-alone selling price that would be associated with the performance obligations. In light of this uncertainty, management have placed greater weight on internal approved price lists, and pricing achieved in other geographic markets, when estimating the stand-alone selling prices for performance obligations.

Fair value measurement of equity settled share-based payments

Management uses valuation techniques to determine the fair value at grant date of equity awards to employees. This involves developing estimates and assumptions consistent with how third parties would price the instruments. Given the unlisted nature of the Company's shares and early-stage profile of the business, observable third party equivalent data is not always available and management have therefore applied judgement in the application of modelling techniques and selection of input data in the valuations.

Treatment of internal development expenses

Management reviews the internal development projects to determine whether they meet the criteria under IAS 38 for the recognition of an intangible asset arising from development. Management exercises judgement in the determination of whether a project represents the development of a new asset, or is maintenance and enhancement of an existing asset, for instance of the Versius system or an existing Versius instrument. During the current year, management have concluded that the internal development projects represent enhancements and maintenance of the existing product portfolio and as a result the related spending has been recorded as an expense in the period.

Impairment of trade receivables

Judgments have been made in respect of the expected credit losses in relation to outstanding invoices with customers. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as expected changes of conditions at the reporting date, including time value of money where appropriate. At year end, a £5.5m (2021: £0.1m) impairment has been booked against outstanding receivables.

Impairment of investment in subsidiary undertakings

Management assesses the value of investment in subsidiary undertakings annually to determine if there is an indication that any of the investments might be impaired.

Management determines recoverability based on historical performance, current balance sheet position and expected cash-flows generated by the entity over the near-term. As many locations are in a start-up phase with some additionally awaiting regulatory approval, the timing of net positive cashflows is very uncertain resulting in additional impairment charges as described in note 6.

3 Intangible assets

	Development costs £'000	Patents £'000	Total £'000
Cost:			
At 1 January 2022	16,005	6,549	22,554
Additions	-	2,900	2,900
At 31 December 2022	**16,005**	**9,449**	**25,454**
Amortisation:			
At 1 January 2022	8,803	738	9,541
Provided in the period	3,201	398	3,599
At 31 December 2022	**12,004**	**1,136**	**13,140**
Net book amount:			
At 31 December 2022	**4,001**	**8,313**	**12,314**
At 31 December 2021	7,202	5,811	13,013

The remaining amortisation period of the development costs is 1.25 years (2021: 2.25 years).

4 Property, plant and equipment

	Rental Machines £'000	Short Leasehold Property £'000	Fixtures, Fittings and Equipment £'000	Total £'000
Cost:				
At 1 January 2022	4,945	1,029	13,709	19,683
Additions	1,465	7,596	11,431	20,492
Disposals	(425)	-	(197)	(622)
At 31 December 2022	**5,985**	**8,625**	**24,943**	**39,553**
Depreciation:				
At 1 January 2022	1,065	631	6,479	8,175
Provided in the period	1,136	516	4,773	6,425
Disposals	(45)	-	(58)	(103)
At 31 December 2022	**2,156**	**1,147**	**11,194**	**14,497**
Net book amount:				
At 31 December 2022	**3,829**	**7,478**	**13,749**	**25,056**
At 31 December 2021	3,880	398	7,230	11,508

5 Right of use assets

	Land and buildings £'000
Cost:	
At 1 January 2022	16,826
Additions	8,498
Disposals	(154)
At 31 December 2022	**25,170**
Depreciation:	
A1 1 January 2022	2,780
Provided in the period	1,817
Disposals	(154)
At 31 December 2022	**4,443**
Net book amount:	
At 31 December 2022	**20,727**
At 31 December 2021	14,046

6 Investments in subsidiaries

	Total £'000
Cost:	
At 1 January 2022	13,544
Additions	5,575
At 31 December 2022	**19,119**
Impairment:	
A1 1 January 2022	10,487
Charged in the period	4,980
At 31 December 2022	**15,467**
Net book amount:	
At 31 December 2022	**3,652**
At 31 December 2021	3,057

The additions in the year principally relate to capitalisation of the investment in the Brazilian subsidiary.

6 Investments in subsidiaries (continued)

Impairments recognised in the period

Investment in CMR Surgical Brasil Importacio e Comercio de Equipamentos Medicos Ltda

An impairment loss of £4,753k has been recognised in the period against the investment in CMR Surgical Brasil Importacio e Comercio de Equipamentos Medicos Ltda. This entity commenced sales in 2022 but continues to incur net cash outflows which are expected to recur for the foreseeable future. Consequently the recoverable amount of the investment has been assessed as £2,243k, being its fair value less cost to sell.

Investment in CMR Surgical Device Co Ltd

An impairment loss of £227k has been recognised in the period against the investment in CMR Surgical Device Co Ltd. This entity is in a pre-commercialisation phase prior to regulatory approval for Versius in China and incurs net cash outflows which are expected to recur in future periods until approval is obtained. The recoverable amount of the investment has been assessed as £1,315k, being its fair value less costs to sell. This valuation is at Level 3 of the fair value hierarchy and has been estimated at the proportion of the liquid assets of the subsidiary that would be attributable to the equity holders of the Company.

Set out below are the subsidiaries held by the Group, which are engaged in sale and distribution:

Company name	Jurisdiction	Registered address	Ownership %
CMR Surgical Inc	Delaware, USA	1420 Celebration Boulevard, Celebration, FL, USA	100
CMR Surgical Srl	Italy	Via Birmania 81, Rome, Italy	100
CMR Surgical Spain SLU	Spain	Monte Esquinza 30, Madrid, Spain	100
CMR Surgical GmbH	Germany	Ruhrallee 185, Essen, Germany	100
CMR Surgical SAS	France	27-33 Quai Alphonse Le Gallo, 92100 Boulogne-Billancourt	100
CMR Surgical India Private Ltd	India	B-S1, Mathura One, N.H. 17, Porvorim, Bardez, Goa, India	100
CMR Surgical FZCO	UAE	Unit E1, Dubai Airport Free Zone, Dubai, UAE	100
CMR Surgical Chile SpA	Chile	Rafael Maluneda No 1600, Office 405, Vitacura, Regional Metropolitana, Santiago, Chile	100
CMR Surgical Device Co Ltd	China	Floor 1 and 2, Building 3, No.801 Hui Ping Road, Jiading District, Beijing, China	77
CMR Surgical Brasil Importacio e Comercio de Equipamentos Medicos Ltda	Brazil	Alameda Africa 337, Galpao 04, Sala D, Santa Parnaiba, Sao Paulo, Brazil	100
Cambridge Medical Robotics Limited (dormant)	England and Wales	1 Evolution Business Park, Milton Road, Cambridge CB24 9NG	100

With the exception of CMR Surgical India Private Ltd, which has a year end of 31 March, all of the Company's subsidiaries have financial years ending 31 December. All holdings are in respect of Ordinary shares of the subsidiaries.

7 Inventories

	2022 £'000	2021 £'000
Components and raw materials	**52,191**	20,472
Work in progress	**3,252**	1,775
Finished goods	**18,593**	13,263
	74,036	35,510

8 Trade and other receivables

	2022 £'000	2021 £'000
Trade receivables	**5,879**	1,603
Other receivables	**15,477**	7,337
Restricted cash deposits	**3,158**	2,988
Prepayments	**3,499**	2,240
Accrued revenue	**4,831**	2,720
Amounts due from subsidiary undertakings	**18,702**	17,375
	51,546	34,263

The payment terms related to the related party balances owed to subsidiary undertakings are set out in note 13.

9 Trade and other payables

Amounts falling due within one year

	2022 £'000	2021 £'000
Trade payables	**13,711**	8,749
Other tax and social security	**1,468**	1,013
Other payables	**331**	740
Amounts owed to subsidiary undertakings	**11,474**	3,055
Accruals	**6,734**	6,438
Deferred revenue	**5,958**	747
	39,676	20,742

The payment terms related to the related party balances owed to subsidiary undertakings are set out in note 13.

10 Other liabilities

Amounts falling due within one year

	2022 £'000	2021 £'000
Dilapidation obligations	**65**	65
Lease liabilities	**1,570**	1,110
	1,635	1,175

Amounts falling due after one year

	2022 £'000	2021 £'000
Financial liability on preferred shares	**25**	25
Dilapidation obligations	**938**	968
Lease liabilities	**20,569**	14,263
	21,532	15,256

11 Share capital and reserves

Number of shares	At 1 January 2022	Shares issued	At 31 December 2022
Ordinary shares	1,316,206	2,053	**1,318,259**
A Preferred Shares	642,502	-	**642,502**
A+ Preferred Shares	446,536	-	**446,536**
B Preferred Shares	837,456	4	**837,460**
C Preferred Shares	764,807	3,103	**767,910**
D Preferred Shares	1,432,695	379,053	**1,811,748**
Total shares	**5,440,202**	**384,213**	**5,824,415**

The Company has six classes of shares in issue, Ordinary Shares and five classes of preferred share (A Preferred Shares, A+ Preferred Shares, B Preferred Shares, C Preferred Shares and D Preferred Shares, collectively "the Preferred Shares"), all of which have a nominal value of £0.0001 per share.

As part of the Series D financing round, certain existing shareholders transferred their shares to incoming new investors. Under the terms of the Series D agreements, the shares transferred as part of the round were redesignated to D Preferred Shares on completion of the transfer. Following the issuance of 918,699 D Preferred Shares issued in the prior year, certain shareholders committed to subscribing for a further 379,052 D Preferred Shares in June 2022 at the same per-share amount of £329.77 resulting in proceeds of £125,000k.

All dividends accrue equally to the holders of all classes of shares on a pari passu basis. All shares entitle the holder to vote at general meetings of the Company. Under certain circumstances related to significant corporate events, for instance an IPO or sale of the Company, the Preferred Shares hold rights to convert to Ordinary Shares.

The nature and purpose of each reserve within equity is set out below:

Reserve	**Purpose**
Share capital	The outstanding shares of the Company, recorded at the par value of those shares, being GBP 0.0001 per share.
Share premium	The aggregate of: • the amounts paid on subscription for shares in the Company, less the par value recorded in share capital; less, • any fees directly incurred in the issuance of new equity shares.
Translation reserve	Accumulated gains and losses on retranslation of foreign operations into the presentation currency of the Group.
Retained earnings	All other equity movements not attributed to another reserve as set out above. The most significant items relate to accumulated net losses, offset by accumulated credits in respect of equity-settled share-based payments.

12 Lessee arrangements

The Company has leases for the main office and manufacturing site, together with service locations and other offices. Leases are reflected on the balance sheet as a right of use asset within property, plant and equipment. The leases generally contain conditions that the underlying assets may not be sublet without the lessor's permission, are non-cancellable, and none of the leases give the Group any right to purchase the underlying asset. There are no property leases other than those recorded as a right of use asset at the balance sheet date.

The properties to which the leases relate consist of buildings in Cambridge, UK across multiple sites. The remaining lease term on the properties ranges from 1 year to 15 years, with an average remaining lease term of 5 years. A discount rate of 6% - 7% has been applied in calculating the present value of the lease liabilities.

Future minimum lease payments at the balance sheet date were as follows:

	Payments £'000	Finance charges £'000	Present value £'000
Within one year	2,865	(1,323)	1,542
One to two years	2,809	(1,224)	1,585
Two to three years	2,749	(1,122)	1,627
Three to four years	2,706	(1,013)	1,693
Four to five years	2,681	(829)	1,852
Over five years	12,460	(3,582)	8,878
Total	**26,270**	**(9,093)**	**17,177**

13 Related party transactions

The amounts due from subsidiary undertakings includes £10,939k (2021: £15,442k) that is interest free and payable either on demand, or on credit terms of up to 90 days. The amounts due from subsidiary undertakings also includes a loan accruing interest at 0.2% per annum with the principal falling due during 2024.

Interest income of £16k (2021: £6k) was recognised on amounts due from subsidiary undertakings.

Amounts owed to subsidiary undertakings are interest free and are either payable on demand, or on credit terms of up to 60 days.