FOR RELEASE ON 8 March 2023

("IP Group" or "the Group" or "the Company")
IP Group plc Annual Results Release

Group well financed and focused on delivering returns for stakeholders; resilient portfolio, well-funded & aligned to three world-changing themes

IP Group plc (LSE: IPO), which invests in breakthrough science and innovation companies with the potential to create a better future for all, today announces its annual financial results for the year ended 31 December 2022.

2022 highlights

Significant progress in key themes & companies

- **Regenerative future (Cleantech):** Strong return in the period delivered by uplifts at First Light Fusion, which achieved world-first fusion result with 'projectile fusion', externally validated by the UK Atomic Energy Authority; and Oxbotica which completed a $140m Series C financing round at significant uplift
- **Healthier future (Life Sciences):** Istesso commenced Phase 2b trial for its lead drug MBS2320 in rheumatoid arthritis; MBS2320 granted Fast Track designation by the US FDA for the treatment of patients with idiopathic pulmonary fibrosis ("IPF") & also designated it an orphan drug for the treatment of IPF
- **Tech-enriched future (Deeptech):** Featurespace, Garrison, SaltPay, Ultraleap all posted double-digit revenue growth; sale of Re:Infer to global leader UiPath, delivering IRR of 29%

Delivering evolved strategy

- Deeper thematic focus which included the launch of dedicated cleantech platform Kiko Ventures
- Third-party capital funds under management increased to £697m vs £575m in 2021, in line with long-term strategy
- Increased impact, together with Parkwalk, IP Group is one of the largest investors in university and other research-based companies in the world; the most prolific investor in deeptech companies in the UK and the second most prolific in Europe

Well financed & resilient portfolio

- Strong balance sheet and liquidity to support new and follow-on investment in the portfolio with gross cash and deposits at 31 December 2022 of £241.5m (2021: £321.9m); total potential liquidity (including quoted shares and undrawn debt) of over £500m
- Loss in the period of £344.5m (2021: profit of £449.3m). Driven primarily by a reduction in the value of our public companies of £428.5m and in the value of ONT in particular, which reduced by £369.7m
- Portfolio companies well-funded; total funds raised by portfolio £1.0bn (2021: £2.4bn)
- Private portfolio company valuations remained robust with 90% of our portfolio funding rounds in 2022 taking place at or above previous funding round valuations
- Recommended final dividend of 0.76p per share to give a total 1.26p for FY22 (interim dividend of 0.50p per share; 2021 total dividend of 1.2p per share), completion of £35m share buyback; £20.3m total capital returned to shareholders in the year

Post period-end update

- Appointment of Anita Kidgell, Head of Corporate Strategy at GSK plc, as independent Non-executive Director
- The fair value of the Group's holdings in listed companies experienced a net fair value decrease of £26.2m in the period since 31 December, including ONT decreasing by £28.3m.

Summary financials

	FY 2022	FY 2021
Net Asset Value (NAV)	**£1,376.1m; 132.9pps**	£1,738.1m; 167.0pps
Loss/profit	**Loss of (£344.5m)**	Profit of £449.3m
Loss/profit excluding ONT (i)	**Profit of £25.2m**	Profit of £202.1m
Total portfolio (i)	**£1,258.5m**	£1,507.5m
Net portfolio loss/profit (i)	**£309.1m loss**	£499.2m gain
Gross cash and deposits (i)	**£241.5m**	£321.9m
Realisations	**£28.1m**	£213.9m
Portfolio investment (i)	**£93.5m**	£106.8m
Total dividend(ii)	**1.26pps**	1.20pps

(i) Note 29 details the Alternative Performance Measures ("APM")
(ii) Total dividend for 2022 subject to approval of final dividend of 0.76pps at the Group's 2023 AGM

Greg Smith, Chief Executive of IP Group, said:

"We have continued to see strong commercial progress and interest in our portfolio this year despite the economic headwinds and prevailing geopolitical environment. IP Group is well financed and our strong balance sheet allows us to continue to capitalise on opportunities in the UK and internationally. Our portfolio is also well funded which, together with our decades of experience in supporting fast growing companies, ensures our companies are well-placed to navigate this environment. While the share prices of our publicly listed companies and that of the Group have come under pressure, we remain focussed on generating returns for all stakeholders and are confident that our high-quality portfolio will generate significant value over time."

Webinar

IP Group will host a webinar for analysts and investors today, 8 March, at 10:00am. For more details or to register as a participant please visit https://www.investormeetcompany.com/ip-group-plc/register-investor.

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Further information on IP Group is available on our website: www.ipgroupplc.com

Notes

(i) Nature of announcement

This Annual Results Release was approved by the Directors on 07 March 2023.

The financial information set out in this Annual Results Release does not constitute the Company's statutory accounts for 2022 or 2021. Statutory accounts for the years ended 31 December 2022 and 31 December 2021 have been reported on by the Independent Auditor. The Independent Auditor's Reports on the Annual Report and Financial Statements for 2022 and 2021 were unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006. Statutory accounts for the year ended 31 December 2021 have been filed with the Registrar of Companies. The statutory accounts for the year ended 31 December 2022 will be delivered to the Registrar following the Company's Annual General Meeting.

The 2022 Annual Report and Accounts will be published in April 2023 and a copy will be posted on the Group's website (www.ipgroupplc.com). In accordance with Listing Rule 9.6.1 a copy of the Annual Report and Accounts will also be submitted to the National Storage Mechanism on or around this date and will be available for inspection at: www.Hemscott.com/nsm.do from that time.

Throughout this Annual Results Release the Group's holdings in portfolio companies reflect the undiluted beneficial equity interest excluding debt, unless otherwise explicitly stated.

(ii) Forward-looking statements

This Annual Report and Accounts may contain forward-looking statements. These statements reflect the Board's current view, are subject to a number of material risks and uncertainties and could change in the future. Factors that could cause or contribute to such changes include, but are not limited to, the general economic climate and market conditions, as well as specific factors relating to the financial or commercial prospects or performance of individual companies within the Group's portfolio.

Chairman's Summary

IP Group's performance and the resilience of its portfolio companies in 2022 was impressive given the degree to which unanticipated events dominated the year. Our agility and willingness to adjust to market conditions speaks volumes for the strength of our executive leadership during challenging times. 2022 turned out to be a year in which unanticipated and unexpected events dominated, from the geopolitical to the economic, from financial market volatility and correction to pandemic response. War in Europe, heightened geopolitical tension, supply chain disruption and reconfiguration, increased inflationary expectations, accelerating interest rate rises, energy and cost-of-living crises, unprecedented political turmoil in the UK, fragile capital markets and inconsistent COVID responses all impacted. Of most direct relevance to IP Group was the dramatic valuation decline of technology driven listed companies whose growth prospects post-pandemic were reappraised downwards, with that decline amplified by the impact of significantly higher interest rates applied to discount future returns. The aggregate of all these conditions contributed to a significant tightening of risk appetite amongst investors and it was against this backdrop that we navigated the year just ended.

The resilience of the vast majority of our unlisted portfolio companies, in a year in which the availability of venture funding for scale-up financing was heavily cut back, was reassuring and where funding rounds were concluded, 90% of these were at valuations consistent with or ahead of the last funding round price. The £93.5 million we invested in the portfolio in 2022 was broadly in line with the prior year £106.8m, enabled by portfolio realisations over the past two years; put into context that investment accounted for just 9% of the £1.0 billion that was raised in the portfolio from all sources, providing external support for valuations.

During 2022 we adjusted our investment appetite to reflect the new economic and market realities, investing less than we had planned to invest at the beginning of the year. We also prioritised support in the year for the companies we have designated as priority opportunities. Timely and prudent adjustments to investment criteria are essential to maintaining capacity to be able to offer long-term support to our portfolio companies. Pursuant to this, we successfully raised private long term fixed-rate debt in the summer of 2022, fortuitously ahead of the sudden interest rate increases seen in the second half of the year. The £120m raised protects our ability to support our portfolio without having to dispose of listed investments at prices below our evaluation of their future potential.

Looking to the future, we remained active in reviewing a strong pipeline of investment opportunities across all sectors but held fire while we waited to see whether the significant valuation downgrades seen in public markets for technology-related companies would flow through to early-stage unlisted companies. It is, however, worth noting that the 'froth' now recognised in the valuation of certain high profile listed tech companies was not such a feature in early-stage companies in the sectors we cover.

Inevitably, after two very strong years of divestment success, we had many fewer opportunities to take money out of the portfolio, realising some £28.1m in 2022 versus £213.9m and £191.0m in the two prior years.

Financial Performance

Our financial results in 2022 were dominated by the change in valuation of our stake in Oxford Nanopore ("ONT") essentially reversing the unrealised gain booked in 2021. Loss for the year amounted to £344.5m, of which £369.7m related to ONT. (2021 profit £449.3m of which £297.1m related to ONT).

Excluding ONT, the profit for 2022 was £25.2m, which was largely attributable to mark to market gains in the private portfolio, offset by some valuation declines in our other quoted companies. Our unlisted portfolio performed satisfactorily with two sizeable gains recorded in the year; in the first half we recognised a fair value uplift of £57.3m in respect of First Light Fusion following its successful achievement of fusion; and in the second half we recognised a £45.4m valuation uplift following a successful funding round by Oxbotica in which they raised $140m. Greg and the investment team discuss these companies in more detail in their reviews, but I want to highlight three points.

First, the decline in the share price of ONT over the year primarily reflects a re-rating of the life science tools sector; ONT's performance and announced forecasts have exceeded the projections made at the time of its flotation in October 2021. We remain highly positive on the company's prospects, which we expect to see reflected in its share price in due course.

Second, the fusion event which led to the valuation uplift at First Light Fusion ("FLF") and was validated by the UK Atomic Energy Authority was generated using physics consistent with that deployed by the Lawrence Livermore National Laboratory ("LLNL") in the United States in December who were the first to generate 'net gain' to great public acclaim. Although the approach being used by FLF uses a different method of inertial confinement to that of LLNL, their success has greatly encouraged the team at FLF.

Third, the fundraise at Oxbotica is evidence of the great progress made in the last year and means the company is well-capitalised and, we believe, on a path to significant future value.

Two other portfolio events in 2022 are also important to highlight here.

First, Istesso began its Phase2b trials for its core metabolic reprogramming agent MBS2320 and in addition attracted FDA Fast Track and Orphan Drug designation for the same agent for the treatment of patients with IPF. Second, we launched Kiko Ventures as the Group's dedicated cleantech platform.

As at the end of 2022, valuation of the Group's portfolio stood at £1,258.5m (2021 £1,507.5m) and our cash resources amounted to £241.5 million gross and £160.1m net of debt. (2021 £321.9m gross and £270.1m net of debt). Our financial position and liquidity remain strong, both being areas of key focus for the Board.

Net Asset Value at the end of 2022 stood at £1.4bn, down from £1.7bn at the end of 2021 and ahead of the position at the end of 2020; most of this decline reflected the fall in the ONT share price over the year. In terms of NAV per share, our key performance metric, at the end of 2022 this stood at 132.9p per share. This compares to our share price as at the same date of 55.1p evidencing a discount to NAV of 59%. We have intensified our investor relations engagement as one of the measures designed to narrow this gap, delivery of which remains a core objective of the Board.

Board changes

We were delighted to welcome Anita Kidgell to the Board with effect from 18 January 2023. Anita brings a wealth of experience gained at one of the leading pharmaceutical and healthcare companies, GSK plc. Currently Head of Corporate Strategy at GSK, she brings to the Board a rare combination of a scientific background together with strategic, investor relations and communication experience. Following her appointment the Board comprises two executive directors, five NEDs and the Chairman: equal representation of both male and female.

Outlook

In many ways the outlook for IP Group is encouraging, notwithstanding the general economic landscape. Support for science-based research and development is a key priority of the UK Government as it seeks to enable UK-based business to capture leading positions in the investment waves of the future. Delivery of climate transition commitments will require trillions of dollars of investment including in the science needed to decarbonise energy production and distribution. Improving health outcomes for an ageing population will remain a high priority for all governments, through early diagnosis and technology that keeps people out of hospital or allows them to be looked after at home or in a social care environment. Harnessing the power of deep tech to improve the quality-of-life experience and keep data secure in an ever more digitalised world will become ever more important within society. These are areas where IP Group is heavily invested and seeks to contribute.

We enter 2023 with a clear plan of action to build on past portfolio successes through investing in what is a maturing and exciting range of investment opportunities. We have the financial capacity, the capital allocation discipline and the human talent needed to be successful. I look forward to updating you on progress in due course.

Sir Douglas Flint
Chairman
7 March 2023

Chief Executive's Operational Review

Introduction

In my first full year as Chief Executive Officer, I am pleased to report that the Group has made excellent progress in its purpose of accelerating the impact of science for a better future. IP Group, including Parkwalk, is one of the largest investors in university and other research-based companies in the world, backing science and innovation that shapes our future. Having already helped create three unicorns (Oxford Nanopore, Ceres Power, Hinge Health), the Group is well placed to support the 'science superpower' agenda and we aim to replicate our success to date by growing and supporting more businesses to values in excess of $1bn. This is being done through an increased focus of our capital and resource on thematic areas where we have experienced and specialist investment teams with track record, a maturing portfolio and a clearly articulated approach to sourcing, growing, supporting and exiting businesses. The Group is currently focused on businesses and opportunities that contribute to a healthier future (biotech and healthcare), a tech-enriched future (deeptech) and a regenerative future (cleantech).

The work that the leadership team has carried out over the last twelve months has resulted in a clearly articulated strategy to deliver value, which is built on five pillars - value creation, impact, insight and access, distinctive reputation and exceptional talent, which are described in more detail below. Today, in line with this strategy, we launch our new brand identity which more accurately reflects who and what our business is today. By articulating our clear sense of purpose, expertise and track record, we aim to differentiate ourselves for investors, founders and co-funders.

As Douglas has described above, and as highlighted in our most recent half-yearly report, 2022 saw a high level of macro uncertainty with rising inflation and interest rates, fears of recession and ongoing geopolitical concerns, greatly exacerbated by Russia's invasion of Ukraine. Like others, the Group is not immune to geopolitical events and the resultant volatile equity markets, and our public portfolio was impacted by the reaction of global stock markets, particularly by the rotation out of growth and technology stocks. This impacted both the Group's share price as well as that of Oxford Nanopore and our other quoted investments.

IP Group was quick to respond to the challenging market environment, securing a private market debt issue to provide additional funding flexibility, while lowering the level of capital allocated for investment into the portfolio, and the Group ended the year with gross cash and deposits of £241.5m. This financial strength enabled us to continue to invest into our leading companies over the period as well as continue to return a proportion of all cash exits to shareholders. This year, cash returns to shareholders totalled £20.3m, more than half of the £28.1m generated from portfolio realisations.

We recorded an overall loss in 2022 of £344.5m (2021: profit of £449.3m), driven by a reduction in the value of our public companies of £428.5m, and in the value of ONT in particular which reduced by £369.7m. However, despite the worsening market conditions, IP Group has seen strong underlying progress in the portfolio, contributing to our vision of a future enhanced by the impact of transformative businesses we have identified, backed, and grown as long-term partners. Among the many highlights in the portfolio were First Light Fusion's world-first projectile-based inertial confinement fusion result, which was externally validated by the UK Atomic Energy Authority, Oxbotica's $140m Series C financing and Istesso starting a Phase 2b trial for its drug MBS2320 in rheumatoid arthritis, with MBS2320 also being granted Fast Track and orphan drug designation by the US FDA for a second indication, the treatment of patients with idiopathic pulmonary fibrosis (IPF).

It is also important to note that our portfolio remains well funded. Despite the more difficult portfolio company funding environment in 2022, our portfolio raised financing at similar levels to those seen in 2020 and higher than years before that. Some fundings were, however, delayed or took longer than anticipated to complete. In terms of valuations, our private portfolio company valuations remained robust with considerably more (90%) of our companies who raised money in the current period doing so at or above previous funding round valuations. While we have continued to see little direct evidence of the public market correction impacting valuations in our private portfolio, we are mindful of the higher level of uncertainty around private valuations and have responded by obtaining independent external valuations for ten of our largest private companies and have reduced the valuation of several of our later stage holdings where appropriate. Further details of our approach are set out in the financial review section.

IP Group continues to be well financed and is well placed to support its exciting portfolio of high-growth companies that are at the heart of the 'innovation nation' agenda. Delivering returns for shareholders, alongside impact, is a core principle of the Group and narrowing the discount to our NAV per share remains a key focus. Our shareholder value proposition comprises primarily capital growth over the medium and long term, alongside the return of a proportion of cash realisations through dividends and other mechanisms such as share buybacks.

Strategy

As the leading investor in impactful early-stage innovation with a proven track record, differentiated access to innovation and deep sector expertise, we believe there is enormous opportunity for IP Group to deliver significant financial return through tackling some of the world's most significant unmet needs. We will, of course, continue to work in partnership, particularly with providers of long-term capital.

Our strategy to deliver financial returns and impact is built around five strategic pillars – 'accelerate value creation'; 'have an impact on the world that counts'; 'develop our unique insight, expertise and access'; 'build a truly distinctive reputation'; and 'be a home for exceptional talent' – underpinned by class-leading internal processes, services, and controls. The launch of our updated brand today is one element of that plan.

There are two distinct phases to our strategy. The first, from now to the end of 2025, will see us focus on 'putting IP Group on the map', aligned to our purpose (we accelerate the impact of science for a better future) and our vision (a future enhanced by the impact of transformative businesses we have identified, backed, and grown as long-term partners).

Performance is essential and over the next three years, our strategic priorities comprise demonstrating tangible success through the most significant companies in our current portfolio, delivering measurable impact and financial returns for our shareholders and wider stakeholders and maintaining our financial strength by judiciously balancing investment as well as delivering realisations. We are also building our access to private capital, developing relationships with new capital providers, as we did this year with Phoenix Group, to leverage our differentiated deal flow.

Our investment approach, the keystone of our overall approach, sees an increased focus of our capital and resource on thematic areas where we have experienced and specialist investment teams with track record and a clearly articulated approach to sourcing, growing, supporting and exiting businesses. Our technical acumen and sector insights are differentiators that enable us to more effectively judge the value of early-stage innovation. The Group is currently focused on businesses and opportunities that contribute to a healthier future (life sciences), a regenerative future (cleantech) and a tech-enriched future (deeptech). We see our flexible approach as a key advantage: we can back companies with longer time to market than more time-limited venture funds. We aim to initially hold sufficient equity to be an influential shareholder, typically taking a board seat and working closely with our portfolio company leadership teams.

The launch in 2022 of Kiko Ventures, the Group's wholly-owned platform dedicated to supporting transformative climate technology, was a clear example of this strategy. The Kiko team has delivered a strong track record, with a gross IRR of over 30% since the establishment of the cleantech theme and more than £150m of gross realisations. The Group envisages investment of around £200m into this space over a five-year period.

The Group, through its sector and geographic teams, will drive short- to medium-term returns via focusing resource and, where appropriate, capital onto fewer more developed existing 'priority' portfolio companies that have the potential to disproportionately impact our returns and underpin our self-sustaining model. We will also continue to curate a differentiated pipeline of future opportunities, using our combination of deep science expertise, networks and investment track record to source and de-risk investments in early-stage companies. We will continue to be an active and influential shareholder, with Board presence on most of our most valuable companies.

The strategy has also given consideration to which of our activities should be deemphasised or ceased. In the UK for example, having returned the technology transfer activities of Imperial College to the university in recent years, we no longer directly carry out university technology transfer activities. We do however remain very active in business building and backing the earliest innovations from universities, particularly through Parkwalk's managed funds, as well as from the Group's balance sheet. In North America, we have incubated a vehicle that is fit for being a leader in the US market, with deep relationships with a number of research institutions and a great team with years of experience of building science-based companies. However, the scale of US markets and research output suggest that the opportunity and capital requirement will be substantially larger than the UK market and we are now the largest strategic investor in the vehicle, Longview Innovation (formerly IP Group, Inc.), alongside blue-chip, long-term US capital providers, rather than being its sole funder. From a broader co-investment perspective, we have also deemphasised carrying out brokerage-style fund-raising engagements for individual portfolio companies, instead refocusing the Group's personnel and relationships towards strategic capital partnerships and managed funds, such as that with Hostplus in Australia. We will continue to review the Group's business model in light of its evolved strategy.

The quality of our team, and having the right combination of scientific rigour, venture experience and public market skills, is central to our ability to deliver. The talent and experience we have in the business, and that we aim to attract, will help drive higher returns.

The second phase of our strategy, from 2026 onwards, will see the Group having demonstrated significant value creation and a clear impact on key unmet needs; building from significant scale with a clear presence in sub-sector ecosystems and being recognised as a market leader.

I am confident that this approach strikes the right balance, building on the track record we have carefully built over the last 20 years with the additional ambition, focus and purpose that will generate success over the coming decade and beyond, maximising the potential for all the Group's stakeholders.

Overview of business performance including thematic focus & holdings

The performance of the Group's business units is summarised below with further detail on the performance of each in the Portfolio Review.

All £m unless stated	Invested	Realisations	Net portfolio gain/(loss)	Fair value at 31 Dec 2022	Simple return on capital (%)
Healthier future: Oxford Nanopore	3.2	–	(369.7)	205.5	(65%)
Healthier future: Life Sciences	35.7	15.6	(41.8)	390.8	(10%)
Tech-enriched future: Deeptech	20.4	8.7	(18.0)	201.0	(8%)
Regenerative future: Kiko Ventures (Cleantech)	22.3	3.5	114.6	243.8	111%
North America	2.9	–	4.2	87.1	5%
Australia and New Zealand	6.8	–	10.8	42.8	43%
Platform investments	1.7	0.2	(4.3)	43.6	(9%)
Organic and *De minimis*	0.3	0.1	(3.5)	17.0	(25%)
Total Net Portfolio	**93.3**	**28.1**	**(306.7)**	**1,231.6**	**(21%)**
Attributable to third parties	0.2	–	(2.4)	26.9	(8%)
Gross Portfolio	**93.5**	**28.1**	**(309.1)**	**1,258.5**	**(21%)**

During the next one to two years, the focus in each of our thematic areas is anticipated to be as follows:

- Healthier future: having consolidated the life sciences portfolio into approximately 20 'core' holdings, there are eight companies that are targeting key clinical milestones, including Istesso, Mission Therapeutics, Akamis, Pulmocide and Crescendo. The team envisages focusing resource and capital to support the delivery of these milestones and driving commercial value for each company while also assessing an appropriate level of new opportunities. On the non-therapeutics side, delivering continued significant revenue growth is the focus for Oxford Nanopore and Hinge Health, with companies such as Genomics plc targeting commercial validation.
- Tech-enriched future: a number of our leading deeptech companies, such as Featurespace, SaltPay and Garrison are targeting value accretion through continued double-digit revenue growth, with earlier companies such as Diffblue, Audioscenic and Ultraleap seeking to grow early revenues. The team also continues to assess an appropriate level of new opportunities.
- Regenerative future: the Kiko portfolio is in a period of asset number growth following the commitment of increased allocation to cleantech last year. A focus for 2023 will be adding new companies to the portfolio, and there is a strong pipeline of opportunities sourced from university and team networks. Despite dry powder remaining in the market, prices are now starting to soften, and this will allow the Kiko team to take advantage of investment timing flexibility afforded by balance sheet capital. In the existing portfolio First Light Fusion plans to raise further capital following its inertial fusion result last year, and Hysata is expected to deliver significant technical progress de-risking its breakthrough new hydrogen electrolysis technology.

Third-party fund management

The Group continues to view the management of third-party funds as an important element of our business model, and we now manage or advise approximately £700m in third-party capital across our Parkwalk, UK and Australian business units, an increase of more than 20% compared to 2021.

Shareholder value creation, capital allocation and returns

The Board continues to recognise that share price volatility and the discount to NAV per share remains a major issue for shareholders and therefore remains focused on shareholder value creation, having introduced an updated approach during 2021. Under this approach, shareholder returns will continue to be driven primarily by long-term capital appreciation. Subject always to the Group's capital allocation policy, the majority of cash realisations will be typically reinvested, and a proportion will now be used to deliver a cash return to shareholders.

The Board remains committed to delivering a regular dividend income, which is intended to comprise a relatively small component of total shareholder return and will also continue to consider share buyback programmes and other capital return tools as realisations are generated from our portfolio. Accordingly, the Board has recommended a final dividend of 0.76p per share (2021: 0.72pps), to be approved at the Company's forthcoming AGM, which would represent a total dividend for 2022 of 1.26p (2021: 1.20pps).

In addition, the Board will seek shareholder approval to renew the authority to purchase up to 10% of the Ordinary Shares in issue from the date of grant of the authority to the date of the Annual General Meeting in 2024.

Outlook

Support for science-based research and development is a key priority of the UK Government and governments in the other key territories in which we operate. With a proven track record, built over more than two decades, we firmly believe there is enormous opportunity to play an even greater role in the 'science superpower/innovation nation' agenda. We also continue to see increased interest in our main thematic areas and remain confident that investor appetite for growth companies will return. IP Group, which is a leading value-add backer of impactful early-stage innovation, is well financed with the right strategy and expertise to deliver growth and maximise value for all our stakeholders.

Greg Smith
Chief Executive Officer
7 March 2023

Portfolio Review

Overview

As of 31 December 2022, the value of the Group's portfolio was £1,258.5m (2021: £1,507.5m) reflecting a net portfolio loss of £309.1m (2021: gain £499.2m). Cash invested during the year totalled £93.5m (2021: £106.8m) and cash from realisations totalled £28.1m (2021: £213.9m).

The portfolio consists of interests in 95 companies (excluding *de minimis* and organic holdings), of which the top 20 by value comprise 76% of the portfolio value (2021: 100, 76%).

Fair value movements

A summary of the unrealised and realised fair value gains and losses is as follows:

	2022 £m	2021 £m
Quoted equity & debt investments	(428.5)	286.4
Private equity & debt investments	101.4	206.3
Investments in Limited Partnerships	(6.4)	1.8
Foreign exchange movements	24.4	4.7
Net portfolio (losses)/gains	**(309.1)**	499.2

A summary of the largest unrealised and realised fair value gains and losses by portfolio investment is as follows:

Gains	£m
First Light Fusion Limited	57.3
Oxbotica Limited	45.4
Nexeon Limited	8.4
Hysata Pty Ltd	8.4
Akamis Bio Limited[1]	5.7
Other quoted	0.3
Other private	59.5
Total	**185.0**

Losses	£m
Oxford Nanopore Technologies plc	(369.7)
Centessa Pharmaceuticals plc	(14.8)
Diurnal Group plc	(13.7)
Import.IO, Inc.	(10.4)
Hinge Health, Inc.	(9.9)
Other quoted	(42.0)
Other private	(33.6)
Total	**(494.1)**

1 Previously called PsiOxus Therapeutics Limited

Investments and realisations

The Group deployed a total of £93.5m across 46 new and existing investments during the year (2021: £106.8m, 65 projects), versus realisations of £28.1m (2021: £213.9m), resulting in overall net investment for the year of £65.4m (2021: net realisations £109.7m).

Largest investments and realisations by portfolio company:

Investments	£m
Featurespace Limited	10.0
Istesso Limited	10.0
Bramble Energy Limited	9.5
Hysata Pty Ltd	5.7
Oxbotica Limited	4.2
Other	54.1
Total	**93.5**

Cash Realisations	£m
Diurnal Group plc	13.7
Reinfer Limited[1]	8.6
Nexeon Limited	3.5
Enterprise Therapeutics Holdings Ltd	1.8
Cambridge Innovation Capital Limited	0.2
Other	0.3
Total	**28.1**

1 Plus, deferred consideration valued at £1.1m (2021: £23.9m)

Deferred consideration estimated at £48.2m was outstanding at year end (2021: £42.3m), predominantly relating to the Group's realisation of WaveOptics (£28.8m, exited in 2021), Enterprise Therapeutics (£12.5m, exited in 2020) and Kuur Therapeutics (£5.6m, acquired by Athenex in 2021).

Number of Investments

	United Kingdom	North America	Australia & New Zealand	Total
1 January 2022	88	1	14	103
Additions	8	–	1	9
Exited & acquired	(3)	–	–	(3)
Being closed/liquidated	(3)	–	–	(3)
Reclassified to *de minimis*	(9)	–	(2)	(11)
31 December 2022	**79**	**1**	**13**	**95**

Co-investment analysis

Including the £89.8m of primary capital invested by the Group (the Group also invested £3.7m via secondary purchases), the Group's portfolio raised approximately £1.0bn during 2022 (2021: £2.4bn). Co-investment from parties or funds with a greater than 1% shareholding in IP Group plc totalled £24.9m. An analysis of this co-investment by source is as follows:

	2022		2021	
Portfolio capital raised	**£m**	**%**	£m	%
IP Group[1]	**89.8**	**9%**	102.6	4%
IP Group managed funds[2]	**35.6**	**4%**	9.9	0%
IP Group plc shareholders (>1% holdings)	**24.9**	**2%**	147.1	6%
Institutional investors	**249.7**	**25%**	648.4	27%
Corporate, other EIS, individuals, universities and other	**364.0**	**35%**	1,473.3	62%
Capital into multi-sector platforms	**250.0**	**25%**	25.1	1%
Total	**1,014.0**	**100%**	2,406.4	100%

1 Reflects primary investment only; during 2022 the Group invested £3.7m via secondary purchase of shares (2021: £1.1m).
2 Includes Parkwalk Advisors and other funds managed by IP Group.

Portfolio analysis by sector

The Group splits its core opportunity evaluation, investment and business-building team into specialist divisions, Life Sciences, Deeptech and Cleantech within the UK, with geographically focused investment teams based in the United States and Australia. A small number of investments are categorised as platform investments, which are portfolio companies which also invest in other opportunities.

	As at 31 December 2022				As at 31 December 2021			
	Fair value		**Number**		Fair value		Number	
Sector	**£m**	**%**		**%**	£m	%		%
Healthier future: Oxford Nanopore	**205.5**	**17%**	**1**	**1%**	572.0	40%	1	1%
Healthier future: Life Sciences	**390.8**	**32%**	**33**	**35%**	414.9	28%	36	35%
Tech-enriched future: Deeptech	**201.0**	**17%**	**28**	**29%**	226.3	15%	34	33%
Regenerative future: Cleantech	**243.8**	**20%**	**15**	**16%**	103.3	7%	12	12%
United States	**87.1**	**7%**	**1**	**1%**	80.1	5%	1	1%
Australia and New Zealand	**42.8**	**3%**	**13**	**14%**	25.2	2%	14	14%
Platform investments	**43.6**	**4%**	**4**	**4%**	46.2	3%	5	4%
Total	**1,214.6**	**100%**	**95**	**100%**	1,468.0	100%	103	100%
De minimis and organic holdings	**17.0**				10.4			
Total portfolio	**1,231.6**				1,478.4			
Attributable to third parties[1]	**26.9**				29.1			
Gross portfolio	**1,258.5**				1,507.5			

1 Amounts attributable to third parties consist of £13.9m attributable to minority interests represented by third-party limited partners in the consolidated fund, IP Venture Fund II (2021: £16.0m), £12.2m attributable to Imperial College London (2021: £11.7m) and £0.8m attributable to other third parties (2021: £1.4m).

Portfolio Review: Healthier future: Oxford Nanopore

While the IPO in October 2021 and after-market performance for the remainder of that year was a great success, providing fair value gains of £297m on 31 December 2021, shares in Oxford Nanopore performed less well throughout 2022, closing down 65%. We believe that this decline in price largely reflected the general investor uncertainty in global stock markets and the Life Science tools sector, rather than fundamental performance. In this respect, the company reported Life Sciences Research Tools ("LSRT") revenue of £127m in 2021, representing a 94% increase over 2020, and increasing LSRT revenue guidance for 2022 to £145-160m from the previous £135-145m. Half-year LSRT revenue was £71m, up 34% year-on-year. This compares to US peers that reduced their growth guidance to less than 10% or withdrew it altogether. While the company's trading update in January suggested full-year 2022 LSRT revenue of £147m, representing 16% growth and at the bottom end of the updated guidance range (£145-160m), we continue to consider that this represents stronger fundamental performance than the peers and we continue to believe in the long-term prospects for the company.

Company name	Description	Group Stake at 31 December 2022 %	Net investment/ (divestment) £m	Unrealised + realised fair value movement £m	Fair value of Group holding at 31 December 2022 £m
Oxford Nanopore Technologies plc	Enabling the analysis of any living thing, by any person, in any environment	**10.1%**	3.2	(369.7)	**205.5**

Portfolio Review: Healthier future: Life sciences

IP Group's Life Sciences portfolio comprises holdings in 33 companies valued at £391m at 31 December 2022.

Company name	Description	Group Stake at 31 December 2022[1] %	Net investment/ (divestment) £m	Unrealised + realised fair value movement £m	Fair value of Group holding at 31 December 2022 £m
Istesso Limited	Reprogramming metabolism to treat autoimmune disease	**56.4%**	10.0	–	**95.6**
Hinge Health, Inc.	The World's First Digital Clinic for Back and Joint Pain	**1.8%**	–	(9.9)	**53.6**
Ieso Digital Health Limited	Digital therapeutics for psychiatry	**32.1%**	–	–	**21.8**
Akamis Bio Limited[2]	Gene and viral therapies for cancer	**25.0%**	–	5.7	**21.2**
Crescendo Biologics Limited	Biologic therapeutics eliciting the immune system against solid tumours	**14.6%**	–	–	**18.7**
Artios Pharma Limited	Novel oncology therapies	**7.1%**	–	0.4	**18.3**
Mission Therapeutics Limited	Targeting deubiquitylating enzymes for the treatment of CNS and mitochondrial disorders	**18.4%**	2.7	–	**18.1**
Microbiotica Limited	Gut-microbiome based therapeutics and diagnostics	**18.0%**	4.1	1.7	**16.1**
Oxular Limited	Treatments and delivery technology for sight-threatening diseases	**25.6%**	1.3	–	**15.9**
Other companies (24 companies)			(9.9)	(39.7)	**111.5**
Total			**8.2**	**(41.8)**	**390.8**

1 Represents the Group's undiluted beneficial economic equity interest (excluding debt), including only the Group's portion of IPVF II. Voting interest is below 50%.
2 Previously called PsiOxus Therapeutics Limited.

During the year, the value of the portfolio declined by 10%, driven largely by declines in the share prices of the division's publicly listed stocks, with Diurnal declining £13.7m, Centessa down £14.8m and Athenex down £7.2m. These declines reflected both fundamental performance/pipeline setback and broader investor uncertainty towards the public biotech sector. While we are passive investors in Centessa and Athenex, with no representation on the board of either company, we exercised our more active role in Diurnal by supporting a strategic process which led to a sale of the business to Neurocrine for 27.5p/share in November, returning £13.7m to the Group. While we are disappointed with the overall performance of Diurnal since flotation in 2015, we believe the sale to Neurocrine represents a reasonably satisfactory outcome given the situation the company found itself in during 2022, which involved a precipitous decline in the share price following pricing and reimbursement setbacks for the company's largest potential product, Efmody.

Elsewhere, we saw considerable progress across the portfolio, with Istesso initiating its Phase 2b study of MBS2320 in rheumatoid arthritis (“RA”) and receiving Fast Track designation for the drug in idiopathic pulmonary fibrosis (“IPF”). Recruitment into the RA study is ongoing while a Phase 2 in IPF could start in 2023. The Group showed its continuing support for this core asset by way of a £10m investment during the year.

Hinge Health continues to significantly grow revenues and expand its customer base. The company raised a $400m Series E round in October 2021 at a $5.8bn company valuation, led by Coatue Management and Tiger Global. However, considering public market performance in the first half of 2022 we engaged a third-party valuation specialist to assess the company's current value. We have valued our holding to the low-end of their suggested valuation range, a 27% reduction to the Series E price, which equates to a £17.0m reduction in the value of the Group's holding. This was partially offset by FX gains, resulting in a net £9.9m decrease in the carrying value of our investment.

There have been some significant developments at several of our other key portfolio names, including Microbiotica's £50m Series B financing and Crescendo Biologics' $750m collaboration with BioNTech, which is designed to combine Crescendo's Humabody technology with BioNtech's mRNA platform in the creation of novel therapeutic agents.

We are pleased to have made several new investments during the year, including £3.5m into a Series A financing for GripAble, an Imperial College-originated company developing digitally enabled rehabilitation programmes and devices for people with neurological and musculoskeletal conditions, and Kynos, an Edinburgh University spinout developing novel drugs against kynurenine 3-monooxygenase (“KMO”), a pivotal enzyme in the mediation of autoimmunity and cancer. In addition, the Group invested £2.4m into Abliva AB, a Stockholm-listed biotech company developing novel agents for the treatment of rare mitochondrial diseases. Abliva's lead drug, KL1333, has been approved by the FDA to enter a potentially pivotal study in primary mitochondrial disease (“PMD”) and the company's recent c.£16m financing round, in which the Group participated, is designed to enable the company to reach a key inflexion point in this study. There are currently 14 companies in the portfolio that have drugs in clinical trials.

During 2023, we expect key data for several of our companies’ clinical studies to drive valuation, new financings and/or possible business development activity, including that for Crescendo, Akamis Bio and Mission.

Portfolio Review: Tech-enriched future: Deeptech

IP Group’s Technology portfolio comprises holdings in 28 companies valued at £201m at 31 December 2022.

Deeptech Portfolio

The IP Group Deeptech portfolio covers a breadth of areas aimed at delivering value through growing trailblazing companies that enable and secure the digital economy, create new human capability, and generate prosperity for all in four key focus areas: Applied Artificial Intelligence, Next Generation Networks, Human-Machine Interfaces and Future Computing.

Company name	Description	**Group Stake at 31 December 2022[1] %**	Net investment/ (divestment) £m	Unrealised + realised fair value movement £m	**Fair value of Group holding at 31 December 2022 £m**
Featurespace Limited	Leading predictive analytics company	**20.5**	10.0	2.6	**64.1**
Ultraleap Holdings Limited	Contactless haptic technology "feeling without touching"	**17.0**	–	(4.5)	**31.0**
Garrison Technology Limited	Anti-malware solutions for enterprise cyber defences	**23.4**	–	2.0	**27.7**
Salt Pay Co. Limited	Mobile payments with integrated loyalty schemes	**Not disclosed**	–	(8.1)	**16.5**
Other companies (24 companies)			(0.3)	(10.0)	**61.7**
Total			**9.7**	**(18.0)**	**201.0**

1 Represents the Group’s undiluted beneficial economic equity interest (excluding debt), including only the Group’s portion of IPVF II. Voting interest is below 50%.

2022 was a challenging year in the global technology sector as public technology markets declined and the rate of private investment slowed. Median revenue multiples in the European listed venture sector fell steeply from 18.6x to 5.4x.

Considering this, we have been prudent in reducing the holding value of some of our larger assets simply to reflect the fact that external comparators and benchmarks imply a lower market valuation. That is not to say that those companies are experiencing unexpected difficulties. On the contrary, our top four portfolio companies, which make up 70% of the value of the £200.4m Deeptech portfolio, continue to perform very well on the commercial front and each is delivering revenue growth. Featurespace, Ultraleap, Garrison and SaltPay all posted double-digit year-on-year revenue growth, whilst the sale of Re:Infer to global leader UiPath was a stand-out success, delivering an Internal Rate of Return on our investment of 29%.

Our most valuable asset holding, Artificial Intelligence fraud prevention company Featurespace, continues to go from strength-to-strength in terms of revenue growth and securing new blue-chip customers. The company is now at a scale where it is having a substantial positive impact on society, protecting millions of consumers from experiencing the catastrophic effects of fraud and defending our global banking systems. The value of our 20.5% holding in Featurespace increased in value by £2.6m over the period and we have strong expectations for further growth in this asset as it expands its customer base.

Our second largest holding, world-leading hand tracking and haptics company Ultraleap, continues to make good progress following its £60m series D funding round in 2021. The company, which is enabling intuitive, touchless gesture control in AR/VR, interactive kiosks, digital out-of-home and automotive, delivered healthy revenue growth over the period and continues to gain traction with enterprise customers that have the potential to deliver significant royalty revenue through integration of the Ultraleap technology into consumer products. In an important milestone, the Lynx R1 Augmented Reality headset, which incorporates Ultraleap hand tracking technology, has now begun shipping to customers.

Our third largest holding, Garrison Cybersecurity, which powers enterprise-wide protection from phishing attacks and malware, had a very strong year with healthy revenue growth powered by good traction with US and UK governmental customers. The company also launched its Garrison Ultra product, which allows customers to access their technology using a cloud delivery model, which should add further to the bottom line.

Other major highlights in the portfolio in 2022 included the sale of University College London spin-out Re:Infer. This company, which uses machine learning technology to interpret massive volumes of conversational data and identify efficiencies through automating processes, was sold to the global market leader in Robotic Process Automation, UiPath, yielding £8.6m cash proceeds to IP Group and delivering an Internal Rate of Return on our investment of 29.0%.

On the less positive side, some of our lower value holdings felt the effects of market headwinds and, in some cases, commercial setbacks. Mirriad, which uses AI to place advertising naturally into video content, saw its share price fall despite announcing an 800% increase in US campaign revenues for the 2021 holiday season compared to 2020. The other major losses this year came in the form of a significant write down in the value of our holding in Import.io due to shifting market conditions severely affecting the company's commercial position, and an £8.1m reduction in the value of our holding in payment processing company SaltPay, where macroeconomic and scaling challenges led to some short-term underperformance which triggered a downwards valuation adjustment (albeit we remain confident of this company's long-term prospects).

Portfolio Review: Regenerative future: Kiko Ventures (Cleantech)

Company name	Description	Group Stake at 31 December 2022[1] %	Net investment/ (divestment) £m	Unrealised + realised fair value movement £m	Fair value of Group holding at 31 December 2022 [1] £m
First Light Fusion Limited	Solving fusion with the simplest possible machine	**27.5**	–	57.3	**114.5**
Oxbotica Limited	Software to enable every vehicle to become autonomous	**12.1**	4.2	45.4	**65.9**
Bramble Energy Limited	The fuel cell company with Gigafactories	**31.5**	9.5	3.5	**20.7**
Nexeon Limited	Silicon anodes for next generation lithium-ion batteries	**5.5**	(3.5)	8.4	**16.3**
Other companies (11 companies)			8.5	–	**26.4**
Total			**18.7**	**114.6**	**243.8**

1 Represents the Group's undiluted beneficial economic equity interest (excluding debt), including only the Group's portion of IPVF II. Voting interest is below 50%.

The Kiko Ventures portfolio comprises holdings in 15 companies valued at £244m at 31 December 2022.

We were delighted to launch Kiko Ventures, the Group's first sector-specific investment platform dedicated to cleantech, in 2022. With Kiko we are demonstrating our strategy to increasingly focus our capital and resource on the opportunities that we consider to represent the most attractive risk/reward and our commitment to action on climate change with a substantial investment budget of approximately £200m over the next five years. Kiko is a wholly owned IP Group platform, with our cleantech team continuing to manage existing cleantech assets and make new investments in this dynamic space. Kiko is differentiated from other climate investors by its ability to leverage the Group balance sheet to be an evergreen venture investor, providing flexibility that is very useful in the development of clean energy and other climate solutions and creating long-term alignment with climate tech entrepreneurs. Our cleantech team has delivered a gross IRR of over 30% since the establishment of the cleantech theme and gross exit proceeds of over £160m. The team, led by partners Robert Trezona, Jamie Vollbracht and Arne Morteani, will, under the Kiko Ventures brand, continue to support and build category-leading companies in the field as well as managing the existing cleantech portfolio, which was valued at over £175m at launch.

Global investment in cleantech reached an all-time high of $40bn in 2021 and events during 2022 have further increased momentum for new energy technologies. We intend to capitalise on this market with Kiko as the world's first evergreen cleantech investor, leveraging the flexibility enabled by the Group's balance sheet capital. This evergreen structure provides exceptional flexibility and strong, long-term alignment with climate tech entrepreneurs. Kiko Ventures' portfolio performance has been strong in 2022, primarily because of progress in First Light Fusion and Oxbotica. The value of the Kiko portfolio more than doubled in 2022, from £114.8m to £245.8m, reflecting net investment of £19.2m and a fair value increase of £111.6m. In addition, the portfolio has been expanded with investments in five new cleantech companies.

In April, First Light Fusion announced that it had achieved fusion, the first time that the reaction has been demonstrated using projectile-based inertial confinement. First Light achieved their result having spent less than £45m, and with a rate of performance improvement faster than any other fusion scheme in history. The result led to a revaluation of our stake in the company, and based on recent comparatives and third-party valuation, the Group recorded a net fair value gain of £57.3m. Including our participation in the Company's (pre-fusion) Series C funding round, the Kiko Ventures stake in First Light is now valued at £114.5m. Following its fusion breakthrough, the company is working with UBS Investment Bank to raise a substantial Series D to take the technology towards a demonstration of gain (net energy generation). If successful, this would be one of the biggest-ever funding rounds by a British energy start-up. In December 2022 researchers at the National Ignition Facility ("NIF") at the Lawrence Livermore labs announced that they had achieved gain using inertial confinement, the same underlying physics as First Light. Gain from inertial fusion has significant implications for the fusion sector, and for First Light in particular. First Light's approach leverages the physics now proven by NIF but uses new engineering that can achieve a competitive cost for energy generation. Pursuing inertial fusion using a projectile - instead of the expensive ($4bn) laser used by NIF - is simpler, lower-cost and has an easier pathway to a power plant.

In December, Kiko company Oxbotica, a global leader in autonomous vehicle software, raised $140m (£115m) in a Series C investment round. Kiko supported the round with an investment of £4.2m joined by other investors including bp ventures, Hostplus, Ocado Group, Tencent and ZF. The Series C takes total funds raised by Oxbotica to $225m. The new funding will drive Oxbotica's geographical expansion in North America, EMEA and APAC, and accelerate the deployment of its autonomy operating system in domains such as agriculture, airports, energy, goods delivery, mining and shared passenger transportation. The Group recorded a net fair value gain of approximately £45m following the round. Parkwalk, IP Group's wholly owned EIS fund manager, has also invested £9.9m in Oxbotica to date on behalf of its clients.

Other significant transactions included fund raises for Bramble Energy, Nexeon and Hysata. In February, hydrogen fuel cell company Bramble completed a £35m Series B with Kiko committing approximately £10m, one of the Group's largest cleantech investments to date. Nexeon, an Imperial College spin-out developing materials for lithium-ion battery anodes, also raised significant funding in this period with a strategic consortium led by SKC investing $80m (£67m) in the company, which led to an £8.4m increase in the fair value of our holding. Kiko also invested alongside IP Group Australia in hydrogen electrolyser company Hysata. In August, the company completed an oversubscribed $A42.5m (£24.3m) Series A round, of which £5.1m was committed by Kiko. Funds will be used to develop a pilot manufacturing facility aimed at delivering the world's lowest cost green hydrogen. Hysata is developing a completely new type of electrolyser using the world's most efficient electrolysis cell. The Hysata electrolyser operates at 95% system efficiency (41.5 kWh/kg), delivering a leap in performance and cost over incumbent technologies, which typically operate at 75% or less. We also made five investments in new companies in the period across a range of cleantech application areas from heat pumps to green ammonia.

In less welcome developments, we took an impairment totalling £3.5m in three of the smaller assets in the Kiko portfolio. These followed setbacks in commercial progress and in two cases strategic interest from a large corporate falling away.

Portfolio Review: North America

The Group's activities in North America are carried out through a 58% strategic holding in a dedicated evergreen fund which we formed as a wholly-owned subsidiary in 2013 and deconsolidated in 2021 following its incubation within the Group. The Group's holding is now treated as a single investment in our financial statements. 2022 was a strong year for the North American platform. The team announced five external funding rounds totalling more than $111m from new and existing blue-chip institutional investors. The platform's investment and operational teams were strengthened to support growth. This year saw the resumption of the annual Hard Science Innovation Forum in-person in Philadelphia, which hosted a series of informative panels and portfolio presentations to an audience that included investors, partners, and founders. Following its deconsolidation from the Group and concurrent with the overall rebranding, the platform has changed its name to Longview Innovation.

The developments within Longview Innovation's portfolio include:

Carisma Therapeutics, Inc. entered into a definitive merger agreement with publicly traded Sesen Bio, Inc., an all-stock transaction. Carisma shareholders will own over 75% of the combined company, which will remain listed on the NASDAQ following completion. Sesen Bio will be contributing approximately $70 million to the combined company, while Carisma and its investors will be contributing approximately $74 million, including $30 million from concurrent financing by Carisma, which is expected to fund the combined company through multiple potential value inflection points over the next 18 months.

Exyn Technologies, Inc. completed a $35 million Series B round led by Reliance Industries. Exyn will utilize this investment to expand its global footprint into India, Latin America, Australia, and Africa and build out its new market verticals.

As it looks to 2023, Longview Innovation is seeing encouraging interest in its platform from institutional investors, despite anticipated economic headwinds and is well-positioned to continue to make transformative investments.

Company name	Description	Fair value of Group holding at 31 December 2022[1] £m
MOBILion Systems, Inc.	A platform technology for conducting ion mobility separations with lossless ion transfer and manipulation	20.4
Carisma Therapeutics, Inc.	Cancer immunotherapy treatments	13.8
Uniformity Labs, Inc.	Equipment, materials, and software for additive manufacturing	13.6
Exyn Technologies, Inc.	Unmanned aerial systems	13.3
Other companies (26 companies)		26.0
Total		**87.1**

1 Represents the Group's undiluted beneficial economic equity interest (excluding debt), including only the Group's interest in IPG Cayman LP, which is no longer consolidated. Voting interest is below 50%.

Portfolio Review: Australia and New Zealand

In Australia and New Zealand, the Group has continued to make strong progress across the portfolio and building third-party funds under management. The Australian portfolio delivered a net fair value uplift of £10.8m which included major funding rounds at Hysata, AMSL Aero and Additive Assurance alongside write-downs in a small number of assets, and the portfolio is now valued at a total of £42.8m. The pipeline of opportunities from our partnership with the Group of Eight and Auckland Universities continues to be strong. We believe that the platform is well-positioned for continued growth and returns over the next 3-5 years.

The ANZ portfolio now stands at 13 portfolio companies with an active pipeline of prospective investments, with a number achieving significant operational and financial milestones. Hysata continued to make strong progress in the development of its novel capillary-fed electrolyser with market-leading efficiency, announcing major additions to its team including former Chief Commercial Officer of BHP Dean Dalla Valle as Chair, and former Australian Chief Scientist Alan Finkel to Chair the Global Advisory Council. These announcements follow on from the A$42.5m Series A funding round announced in July. AMSL Aero, the developer of the world's most efficient eVTOL, announced an A$23m Series B funding round led by St Baker Energy Innovation Fund. Additive Assurance announced an A$4.1m funding round to continue the commercial development of its product providing quality assurance for additive manufacturing.

Portfolio review: Platform Investments

IP Group's Platform Investments portfolio comprises holdings in two companies and two interests in Limited Partnerships, valued at £43.6m at 31 December 2022.

The Platform Investments portfolio contains holdings in multi-sector platform companies that operate in a similar way to IP Group, but focus on a specific university, such as OSE and CIC, and the UCL Technology Fund ("UCL") all three of which IP Group was a founding investor of. As at 31 December 2022, IP Group has a 1.8% holding in OSE valued at £20.6m and a 1.0% holding in CIC valued at £3.5m (2021: 2.3%, £23.3m, 0.9%, £2.7m), and a 46.7% stake in the UCL fund, valued at £16.9m (2021: 46.7%, £17.7m).

Company name	Description	Group Stake at 31 December 2022[1] %	Net investment/ (divestment) £m	Unrealised + realised fair value movement £m	Fair value of Group holding at 31 December 2022 £m
Oxford Science Enterprises plc	University of Oxford preferred IP partner under 15-year framework agreement	1.8	-	(2.7)	20.6
Interest in UCL Technology Fund L.P.	Commercialising world class research from UCL	46.7	1.7	(2.6)	16.9
Other companies (2 companies/LPs)			–	1.0	6.1
Total			**1.7**	**(4.3)**	**43.6**

1 Represents the Group's undiluted beneficial economic equity interest (excluding debt), including only the Group's portion of IPVF II. Voting interest is below 50%.

Third-party fund management

We are aiming to continue growing the level of funds under management in the coming years. As of 1 January 2023, we have appointed Joyce Xie as Managing Director, Global Capital, to lead the Group's strategic capital initiatives with global capital partners and further build our third-party funds platform.

Parkwalk Advisors

Parkwalk, the Group's specialist EIS fund management subsidiary, now has assets under management of £477m (2021: £388m) including alumni funds managed in conjunction with the universities of Oxford, Cambridge, Bristol, and Imperial College London. Parkwalk raised £64m in 2022 compared with £76m in 2021 (which was a record year for the firm), despite somewhat difficult global macroeconomic conditions and some UK-specific issues with both government and tax rate changes. A particularly strong fundraising in Q1 helped the year overall. Parkwalk invested £57.4m in 2022 compared with £52.2m in 2021 and Parkwalk EIS Funds returned £21.9m to investors during 2022 from three exits, generating returns of between 3x and 10x (excluding EIS reliefs), and several companies were written off. The firm has now generated cash returns to investors of more than £120m since inception.

In March 2022 Parkwalk closed its second HMRC-approved Knowledge Intensive EIS Fund, and the first Knowledge Intensive EIS Fund was fully invested by May 2022.

Parkwalk invested £57.4m in 2022 (HY22: £38.0m; 2021: £52.2m) in the university spin-out sector across 31 companies (2021: 40 investments). Beauhurst named Parkwalk as the most active investor in the sector. In November Parkwalk won 'Best EIS Investment Manager' at the Growth Investor Awards.

Ten new companies joined the Parkwalk portfolio, and three successful exits were achieved generating returns of between 3x and 10x. Parkwalk has now generated over £120m in realisations for investors in total. Several portfolio companies were wound down over the year. Fifteen portfolio companies closed funding rounds at uplifts in valuation, one unchanged and two at lower valuations than previously held value. The portfolio raised in excess of £350m in funding this year.

Through Parkwalk, we liaised closely with BEIS, HMT and HMRC on the financial ecosystem for knowledge-intensive spinout companies and the UK Government's 'science superpower' agenda.

Australia

We were pleased to announce the commitment of a further A$100m from Hostplus late in the year, reflecting the strong performance of the existing portfolio and potential for further growth. The Group now manages a total of (A$310m) on behalf of Hostplus. The IP Group HostPlus Innovation Fund has invested in several of IP Group's portfolio companies in Australia and around the world, providing additive growth capital for companies as they scale. We also continue to extend our relationship with TelstraSuper through a co-investment mandate.

Greater China

In China, we expect the first close of Fund I from ICCV, our Joint Venture with China Everbright in the first half of 2023.

Financial Review

David Baynes, Chief Financial and Operating Officer

“A strong financial position, with £242m of gross cash, £60m of undrawn debt and a further £229m of listed securities giving total potential liquidity of over £0.5bn.

Delighted to secure a new relationship with Phoenix Group as long-term capital partners”

- Loss for the period of (£344.5m) (2021: profit of £449.3m)
- Net assets were £1,376.1m (2021: £1,738.1m)
- Net assets per share were 132.9p (2021: 167p)
- Final 2022 dividend of 0.76pps and 2022 interim dividend of 0.5pps
- New debt placing of £120m agreed primarily with Phoenix Group

Financial results

As at 31 December, the Group’s Net Asset Value was £1,376.1m, or 132.9p per share, compared with £1,738.1m, or 167.0p per share, at 31 December 2021. IP Group’s public portfolio recorded a fair value reduction of £428.5m in the year (2021: gain of £286.4m), of which £369.7m related to the fall in the share price of Oxford Nanopore Technologies plc (2021: gain of £297.1m). In the private portfolio, the Group has seen fair value gains of £108.6m (2021: £206.3m). Overall, the Group therefore recorded a net loss of £344.5m in the period (2021: profit of £449.3m).

At year end, IP Group had gross cash and deposits of £241.5m (2021: 321.9m), having deployed £93.5m of capital during the year including investments into portfolio companies Istesso Ltd (£10m) and Bramble Ltd (£9.5m) as well as several smaller size investments into current and new opportunities across all three of our thematic areas.

The prevailing market conditions also impacted realisations which reduced to £28.1m from a record of £213.9m in 2021. The Group closed the year with net cash (i.e., gross cash and deposits less borrowings) of £160.1m (2021: £270.0m).

Consolidated statement of comprehensive income

A summary analysis of the Group’s performance is provided below:

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Net portfolio (loss)/gain[1]	**(309.1)**	499.2
Net overheads[2]	**(20.2)**	(19.5)
Administrative expenses – consolidated portfolio companies	**(0.1)**	(0.1)
Loss on disposal of subsidiary	**–**	(3.8)
Administrative expenses –share-based payments charge	**(2.9)**	(2.6)
Carried interest plan provision charge	**(12.0)**	(17.2)
Net finance income/(expense)	**0.8**	(1.4)
Taxation	**(1.0)**	(5.3)
(Loss)/profit for the year	**(344.5)**	449.3
Other comprehensive income	**0.5**	0.3
Total comprehensive (loss)/profit for the year	**(344.0)**	449.6
Exclude:		
Share-based payment charge	**2.9**	2.6
Return on NAV[1]	**(341.1)**	452.2

1 Defined in note 29 Alternative Performance Measures.
2 See net overheads table below and definition in note 29 Alternative Performance Measures.

Net portfolio gains/(losses) consist primarily of realised and unrealised fair value gains and losses from the Group’s equity and debt holdings in spin-out businesses, which are analysed in detail in the portfolio analysis above.

Net overheads

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Other income	**7.1**	13.6
Administrative expenses – all other expenses	**(24.3)**	(28.3)
Administrative expenses – annual incentive scheme	**(3.0)**	(4.8)
Net overheads	**(20.2)**	(19.5)

Other income

Other income comprises fund management fees and licensing and patent income. In 2022 other income totalled £7.1m (2021: £13.6m), a decrease from 2021, primarily due to a £3.3m decrease in performance fees in respect of third-party funds managed within our Australian business, a £1.4m decrease in fund management revenues within Parkwalk, and a £1.3m decrease in revenues from the Group's patent and license portfolio. Across all three areas, these decreases were largely because of the strong revenues delivered in 2021, which have reverted to average levels in 2022.

Other central administrative expenses

Other central administrative expenses, excluding performance-based staff incentives and share-based payments charges, have reduced by £3.9m from the prior year to £24.4m (2021: £28.3m). Most of this reduction resulted from the deconsolidated of the US division, whose cost base was £4.0m in 2021, this reduction has been partially offset by other inflationary cost increases and some increases in our team size.

The charge of £3.0m in respect of the Group's Annual Incentive Scheme, reflects a provisional assessment of performance against 2022 AIS targets which include Group, Team, and Individual performance elements as described in the Directors Remuneration Report (2021: £4.8m).

Other income statement items

The share-based payments charge of £2.9m (2021: £2.6m) reflects the accounting charge for the Group's Restricted Share Plan, Long-Term Incentive Plan and Deferred Bonus Share Plan. This non-cash charge reflects the fair value of services received from employees, measured by reference to the fair value of the share-based payments at the date of award, but has no net impact on the Group's total equity or net assets.

Carried interest plan charge

The carried interest plan charge of £12.0m (2021: £17.2m charge) relates to the recalculation of liabilities under the Group's carry schemes. As at 31 December 2022, 67% of the Group's equity & debt investments were included within carry scheme arrangements (2021: 44.8%). The liabilities are calculated based upon any excess of current fair value above cost and hurdle rate of return within each scheme or vintage. Any payments will only be made following the full achievement of cost and hurdle via cash realisations and are only paid on the event of a cash realisation.

Consolidated statement of financial position

A summary analysis of the Group's assets and liabilities is provided below:

	Year ended 31 December 2022 £m	31 December 2021 £m
Portfolio	**1,258.5**	1,507.5
Other non-current assets	**7.7**	32.0
Other net current assets/(liabilities)	**33.2**	(6.4)
Cash and deposits	**241.5**	321. 9
Borrowings	**(81.4)**	(51.8)
Other non-current liabilities	**(83.4)**	(65.1)
Total Equity or Net Assets ("NAV")	**1,376.1**	1,738.1
NAV per share	**132.9p**	167.0p

The composition of, and movements in, the Group's portfolio are described in the portfolio review above.

Portfolio valuations

Given the public market valuation reductions in the year (particularly notable in the first half) and slowdown in private company fundraise activity, we have carried our year-end private portfolio valuations against a backdrop of heightened valuation uncertainty. As a response, we have carried out an enhanced valuation process in the period, including obtaining external valuations for ten of our largest private assets (First Light Fusion, Istesso, Featurespace, Hinge Health, SaltPay, Ultraleap, Garrison, Mission Therapeutics, MOBILion and Akamis Bio) accounting for 44% of the private portfolio value.

In the case of First Light Fusion, Featurespace, Garrison and Akamis Bio, our third-party valuers recommended an increase in valuation in the year, because of strong performance against milestones including revenues and technical progress. In the case of Hinge Health, SaltPay, Ultraleap and MOBILion they recommended a reduction in our carrying values, largely reflecting the impact of reduced public market valuations. Valuations of Istesso and Mission were unchanged. In all cases, our carrying values reflect the mid-point or below of the valuation ranges we received from our external valuation consultants.

To date we have seen limited evidence of the public market correction impacting earlier-stage private valuations both within broader market data, and in our portfolio. While funding activity in the period was weaker than in 2021, our portfolio continued to raise significant amounts of capital in funding rounds, the majority of which happened at higher valuations than the previous funding round. An analysis of funding rounds within our portfolio is as follows:

	Year ended 31 December 2022		Year ended 31 December 2021	
	No.	**%**	No.	%
Up round	**18**	**62%**	16	56%
Flat round	**8**	**28%**	10	34%
Down round	**3**	**10%**	3	10%
Total	**29**	**100%**	29	100%

Most of our portfolio remains well funded, with many of our more mature companies evidencing commercial progress or anticipating technical or funding milestones in the next 12-18 months, therefore we remain confident around the resilience of our portfolio.

The table below summarises the valuation basis for the Group's portfolio. Further details on the Group's valuation policy and approach can be found in notes 13 and 14.

	Year ended 31 December 2022 £m	Audited Year ended 31 December 2021 £m
Quoted	**228.7**	662.7
Recent financing (<12 months)	**289.8**	388.6
Recent financing (>12 months)	**117.8**	71.6
Other: Future market/commercial events	**40.7**	39.5
Other: Adjusted recent financing price based on past performance	**306.3**	147.4
Other: DCF	**97.7**	85.6
Other: Revenue Multiple	**77.9**	19.2
Statements from LP	**99.6**	92.9
Total Portfolio	**1,258.5**	1,507.5

Other assets

The majority of other long-term and short-term assets relate to amounts receivable on sale of equity and debt investments, representing deferred and contingent consideration amounts to be received in more than one year.

Other long-term liabilities relate to carried interest and revenue share payables, and loans from LPs of consolidated funds. The Group consolidates the assets of a fund in which it has a significant economic interest, IP Venture Fund II LP. Loans from third parties of consolidated funds represent third-party loans into this partnership. These loans are repayable only upon these funds generating sufficient realisations to repay the Limited Partners.

Borrowings

On 2 August 2022, the Group signed a Note Placing Agreement (“NPA”) to issue a £120m debt private placement to London-based institutional investors (primarily Phoenix Group). £60m of this was drawn in December 2022 and the balance will be drawn in June 2023, with three equal maturities in December in 2027, 2028 and 2029. The interest rate is fixed at an average of 5.25%. Approximately £15m of the proceeds was used to repay early the shorter-dated portion of our EIB debt, leaving £22m of EIB debt to be progressively repaid between now and January 2026 (£6.3m of the EIB debt will be repaid within twelve months of the period end).

Under the terms of the NPA, the Group is required to maintain a minimum cash balance of £25m at any time, equity must be at least £500m and gross debt less restricted cash must not exceed 25% of total equity as at the Group's 30 June and 31 December reporting dates. The NPA also includes ‘Cash Trap’ provisions which stipulate that the Group is required to maintain cash and cash equivalents of not less than £50m at any time equity must be at least £750m, gross debt less restricted cash must not exceed 20% of total equity as at the Group's 30 June and 31 December reporting dates. In the event of the Cash Trap being triggered, the Group is not permitted to pay or declare a dividend or purchase any of its shares. In addition, investments are restricted to £2.5m per calendar quarter other than those legally committed to. The Group is also required to place the net proceeds of all realisations (over a threshold of £1m) into a blocked bank account. Entering a Cash Trap does not constitute a default under the NPA.

For further details of the Group's loans including covenant details see note 18.

Cash and deposits

At 31 December 2022, the Group’s cash and deposits totalled £241.5m, a decrease of £80.4m from a total of £321.9m at 31 December 2021, predominantly due to outflows of investing activities of £93.5m, a £23.6m net cash outflow from operations and a £30.4m cash outflow from the repayment of debt, £20.3m of dividend payments and share buy-backs, offset by a drawdown of loan notes if £60m and realisations of £28.1m.

It remains the Group’s policy to place cash that is surplus to near-term working capital requirements on short-term and overnight deposits with financial institutions that meet the Group’s treasury policy criteria or in low-risk treasury funds rated prime or above. The Group’s treasury policy is described in detail in note 2 to the Group financial statements alongside details of the credit ratings of the Group’s cash and deposit counterparties.

The principal constituents of the movement in cash and deposits during the period are as follows:

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Net cash (used)/generated in operating activities	**(23.5)**	10.0
Investments	**(93.5)**	(106.7)
Realisations	**28.1**	213.4
Other investing	**(0.3)**	0.3
Cash disposed via disposal of subsidiary undertaking	**–**	(7.1)
Net cash (outflow)/inflow from investing activities	**(65.7)**	99.9
Dividends paid	**(12.3)**	(14.9)
Purchase of treasury shares	**(8.0)**	(27.2)
Repayment of debt facility	**(30.4)**	(15.4)
Drawdown of loan notes	**60.0**	–
Other financing activities	**(0.5)**	(0.8)
Net cash inflow/(outflow) from financing activities	**8.8**	(58.3)
Effect of foreign exchange rate changes	**–**	0.1
Movement during period	**(80.4)**	51.7

On 31 December 2022, the Group had a total of £0.1m (2021: £1.5m) held in US Dollars, £nil (2021: £7.5m) held in Euros, £0.7m (2021: £0.7m) held in Australian Dollars and £0.7m (2021: £nil) held in Hong Kong Dollars

Dividend

In addition to the interim dividend of 0.50p per ordinary share paid in September 2022, the Board of Directors is recommending a final dividend of 0.76p per share, subject to the approval of shareholders at the Company's forthcoming annual general meeting to be held on 15 June 2023. If approved, the proposed dividend will be paid on 22 June 2023 to shareholders who are on the register of members at close of business on 26 May 2023. The proposed dividend has not been included as a liability as at 31 December 2022, in accordance with IAS 10 "Events after the reporting period".

The Directors have exercised their discretion to terminate the Company's Scrip Dividend Programme, based on historic low numbers of shareholders electing to receive the scrip dividend together with the fact that a significant proportion of the Company's shareholders were unable to make such an election as they hold their shares via a nominee arrangement that does not provide a scrip election service. The Directors are therefore of the view that the administrative cost burden to the Company of running the scrip programme cannot be justified, therefore all shareholders will receive the proposed final dividend in cash. As set out in the Terms and Conditions of the Scrip Dividend, any residual cash balance accrued by a shareholder under a previous scrip dividend, will be paid to a charity of the Company's choice on termination of the Scrip Dividend Programme.

Taxation

The Group's business model seeks to deliver long-term value to its stakeholders through the commercialisation of fundamental research carried out at its partner universities. To date, this has been largely achieved through the formation of, and provision of services and development capital to, spin-out companies formed around the output of such research. The Group primarily seeks to generate capital gains from its holdings in spin-out companies over the longer term but has historically made annual net operating losses from its operations from a UK tax perspective. Capital gains achieved by the Group would ordinarily be taxed upon realisation of such holdings; however, since the Group typically holds more than 10% in its portfolio companies and those companies are themselves trading, the majority of the portfolio will qualify for the Substantial Shareholdings Exemption ("SSE") on disposal.

This exemption provides that gains arising on the disposal of qualifying holdings are not chargeable to UK corporation tax and, as such, the Group has continued not to recognise a provision for deferred taxation in respect of uplifts in value on those equity holdings that meet the qualifying criteria. Gains arising on sales of holdings which do not qualify for SSE will ordinarily give rise to taxable profits for the Group, to the extent that these exceed the Group's ability to offset gains against current and brought forward tax losses (subject to the relevant restrictions on the use of brought-forward losses). In such cases, a deferred tax liability is recognised in respect of estimated tax amount payable.

The Group complies with relevant global initiatives including the US Foreign Account Tax Compliance Act ("FATCA") and the OECD Common Reporting Standard.

Alternative Performance Measures ("APMs")

The Group discloses alternative performance measures, such as NAV per share and Return on NAV, in this Annual Report. The Directors believe that these APMs assist in providing additional useful information on the underlying trends, performance, and position of the Group. Further information on APMs utilised in the Group is set out in note 29.

Risk Management

Managing risk: our framework for balancing risk and reward

Governance

Overall responsibility for the risk framework and definition of risk appetite rests with the Board, who, through regular review of risks ensure that risk exposure is balanced with an ability to achieve the Group's strategic objectives. The IP Group Risk Council is the executive body that operates to establish, recommend, and maintain a fit-for-purpose risk management framework appropriate for the Group and to oversee the effective application of the framework across the business. The Risk Council is chaired by the CFOO, its members include the Company Secretary and Finance Director and has representation from operational business units as required during the year. Risk identification is carried out through a bottom-up process via operational risk registers maintained by individual teams, which are updated and reported to the Risk Council at least biannually, with additional top-down input from the Executive Committee and Non-executive review being carried out by the Audit and Risk Committee at least annually.

Risk management process

Ranking of the Group's risks is carried out by combining the financial, strategic, operational, reputational, regulatory and employee impact of risks and the likelihood that they may occur. Operational risks are collated into strategic risks, which identifies key themes and emerging risks, and ultimately informs our principal risks, which are detailed in the Principal Risk and Uncertainties section of this report. The operations of the Group, and the implementation of its objectives and strategy, are subject to a number of principal risks and uncertainties. Were more than one of the risks to occur together, the overall impact on the Group may be compounded.

The design and ongoing effectiveness of the key controls over the Group's principal risks are documented using a "risk and control matrix", which includes an assessment of the design and operating effectiveness of the controls in question. The key controls over the Group's identified principal risks are reviewed as part of the Group's risk management process, by management, the Audit and Risk Committee and the Board during the year. However, the Group's risk management programme can only provide reasonable, not absolute, assurance that principal risks are managed to an acceptable level.

During 2022, the Risk Council has continued to build on the Group's existing risk management framework, enhancing risk management and internal control processes and working with PwC in an outsourced internal audit capacity, and in doing so supported the Board in exercising its responsibility surrounding risk management. The Risk Council has continued to support the Board in exercising its responsibility surrounding risk management through its regular meetings. The risk management activity in the year included updating the Group's risk appetite statements and key risk indicators incorporating the updated Group strategy launched in the year, refreshing the Group's existing operational, strategic, and principal risk registers, performing a full refresh of the key controls and an assessment of the strategic risks and the appropriateness of our principal risks.

The Group adopted a "Cyber Response Guide" and "Strategic Ransomware Response Playbook" in December 2021 detailing how the Group would respond to a cyber crisis following a project led by the Risk Council to address the growing threat of cyber-attacks. In 2022, the Risk Council facilitated extensive one-to-one and group training sessions for all those individuals identified in the Group's Cyber Response Guide as having a role in driving the Group's business response to such an incident. In total, the Group's response team, led by the CFOO, took part in three simulations in the year to embed the response plans and practice senior leadership's readiness. Two of these simulations were externally facilitated. Each simulation saw response teams react well to increasingly difficult scenarios; however areas for improvement have been identified and the Risk Council is leading the implementation of the actions identified that focus on increasing our internal communications capacity and a commitment to more regular and increasingly challenging training simulations. In addition, the Risk Council implemented an "out of bounds" communications platform which will allow the cyber response team to securely communicate with each other and all employees in the event that our network security is compromised and provided training to all staff on what a cyber-attack might look like and the appropriate steps to take if they identify signs of a compromise.

The Risk Council reviewed the Government's Response Statement following its consultation in 2021 "Restoring trust in audit and corporate governance" and undertook "no regrets" activities to ensure the transition to the new regime will be smooth while we await the final guidelines. This included drafting an Audit and Assurance Policy ("AAP") based on the minimum standards outlined by the Government and seeking engagement from senior leadership as to the key areas of focus and direction of travel for external engagement if the AAP is adopted. This review has identified a priority workstream for the Risk Council in 2023 will be reviewing the processes for ensuring ESG-related information reported by the Group is robust and designing a fit-for-purpose process that provides suitable assurance going forward.

Other projects in the year included monitoring the set-up of an RMB fund from ICCV, the Group's joint venture with China Everbright, to be operated by the Group's Hong Kong subsidiary, reviewing risk management disclosures in the annual report and accounts, updating the Group's Business Continuity Plans, monitoring training and testing completion rates by employees, testing of key controls over the Group's principal risks, monitoring key risk indicators, performing a control investment review to ensure the desired levels of controls agreed by the Board were in place, continued monitoring of internal audit remediation points, monitoring progress of the Risk Council against its agreed objectives, implementing a cyber compliance monitoring program and continued communication of key outputs of the risk management programme to operational business heads and the wider employee group.

Internal audit reviews were conducted over the following areas: (i) Follow up review: all high and medium risk actions identified in the ten reviews completed since 2019 were reviewed to provide comfort that completed remediations remained in place; (ii) Business Continuity review: a specialist team facilitated the development and delivery of a simulated exercise to practise the executive leadership's crisis response readiness in the face of a serious cyber incident such as a ransomware attack; and (iii) Key Financial Controls review: following on from earlier reviews of the design and operating effectiveness of the key financial controls covering treasury, Group financial reporting, budget and planning, investment valuation, revenue and receivables, purchases and payments, the approval of expenses and a review of the valuation process, internal audit performed a review of the financial close and reporting processes. Additionally, at the request of management, the PwC internal audit cyber team have reviewed completed control remediations originating from the 2020 cyber maturity assessment review to confirm all areas highlighted for improvement have been implemented to the required standard.

Priorities for 2023 include further business reviews by the internal audit function, preparation for anticipated UK governance reform changes, delivering training and scenario-based testing programmes for operational resilience workstreams, overseeing the set-up of a regulated business in Hong Kong and continued enhancement of Group risk reporting and communication across the business. We continue to monitor the impact of the war in Ukraine, heightened geopolitical tension, supply chain disruption, high levels of inflation, increasing interest rate rises, energy and cost-of-living crisis and volatile capital markets and note the greatest impact to the Group has been the marked decline in the valuation of technology sector listed companies, which we consider heighten our principal risks of macroeconomic environment and access to capital risks.

IP Group Risk Management Framework

01 First Line Of Defence

IP Exec
Australia
Parkwalk
Hong Kong
IP Capital

Front Line Operations

Life Sciences
Technology
Cleantech

02 Second Line Of Defence

Oversight and challenge by the Risk Council, Central Functions and Management
Board
Executive Management
Risk Council
Collated risk registers

Central Functions

HR
Finance
IT
Legal & Cosec
Communications & Investor Relations
ESG

03 Third Line Of Defence

Independent assurance
Audit & Risk Committee
Internal audit

Committees

The Group has a number of committees in place to manage specific risks being:

- Valuation Committee
- Capital Allocation Committee
- Group Cyber Forum
- ESG Committee
- Ethics Committee

Emerging risk

The Group's management and Board regularly considers emerging risks and opportunities, both internal and external, which may affect the Group in the near, medium, and long term. The Board considered this subject in detail at its annual risk workshop at the Board Strategy Day in November and continue to consider emerging risks throughout the year. Set out below are examples of some of the potential emerging risks that are currently being monitored by management and the Board:

Near term	Medium term	Longer term
Economic and geopolitical uncertainty The economic and geopolitical environment has changed dramatically since the beginning of 2022 and the Group is now operating against a backdrop of greater geopolitical instability, surging inflation recorded at 9.2% in December 2022 down from its peak of 11.1%in the year, and the potential for a global recession. The volatility in capital markets has continued, most notably interest rate rises, which have particularly impacted growth and technology stocks, such as IP Group and its portfolio.	**Climate change transition risks** Transition risks can occur when moving towards a less polluting, greener economy. Such transitions could mean that the Group could face higher costs of doing business for example new climate-related legislation, regulations, and reporting requirements, such as TCFD and SECR reporting, will pose additional costs as the Group seeks to manage these risks by investing additional resources to ensure compliance.	**Climate change technology risks** Climate change continues to be a key concern of the Group and all its stakeholders. IP Group invests in technology that has the potential to have positive impacts on the environment and the Group is well positioned to take advantage of the changing preferences of governments, businesses and individuals. In addition, IP Group reported against the TCFD recommendations in monitoring risks and opportunities to the business as presented by climate change.
Cyber and IT security Cyber and IT security continue to be areas of risk for the Group and its portfolio as we continue to invest in intellectual property-based portfolio companies, which could be targets for hackers or competitors and the regulatory landscape, which is evolving rapidly around data security and the increasing powers of regulators to impose significant fines on companies who inadvertently breach legislation such as GDPR. The industry saw an increase in cyber-attacks in 2022 and it is against this backdrop that the Group continued to increase its investment in mitigating controls, staff training and cyber incident exercising to support our response to this risk area.	**Access to talent and diversity** The industry in which the Group operates is a specialised area and the Group requires highly qualified and experienced employees to deliver its strategy. The Group's access to the right talent is, therefore, of paramount importance. Increasing shortages across the full spectrum of the labour market seen in recent years and trends such as the "Great Resignation" were considered by the Board and access to alternative pools of talent and engaging with those pools of talent was discussed.	

Summary of principal risks and mitigants

A summary of the principal risks affecting the Group and the steps taken to manage these is set out below. Further discussion of the Group's approach to principal risks and uncertainties is given in the Corporate Governance Statement and in the Report of the Audit & Risk Committee, while further disclosure of the Group's financial risk management is set out in note 3 to the consolidated financial statements]. Following the 2022 annual review process, the heatmap below describes the relative potential risks posed by each of the Group's identified principal risks i.e. how the principal risks are ranked against each other.

Consideration of risk appetite

The industry the Group operates in inherently involves accepting risk to achieve the Group's strategic aims of building a future enhanced by the impact of transformative businesses we have identified, backed and grown as long-term partners and delivering attractive financial returns on those assets and third-party funds. The Group accepts risk only as it is consistent with the Group's purpose and strategy and where they can be appropriately managed and offer a sufficient reward. The Board has determined its risk appetite in relation to each of its principal risks and considered appropriate metrics to monitor performance to ensure it remains within the defined thresholds.

The Board's assessment of risk appetite is provided in the summary of each principal risk below.

Risk appetite ratings defined:

1 **Very low**
Following a marginal-risk, marginal-reward approach that represents the safest strategic route available

2 **Low**
Seeking to integrate sufficient control and mitigation methods in order to accommodate a low level of risk, though this will also limit reward potential

3 **Balanced**
An approach which brings a high chance of success, considering the risks, along with reasonable rewards, economic and otherwise

4 **High**
Willing to consider bolder opportunities with higher levels of risk in exchange for increased business payoffs

5 **Very high**
Pursuing high-risk, inherently uncertain options that carry with them the potential for high-level rewards

Principal risks and uncertainties

01 It may be difficult for the Group to maintain the required level of capital to continue to operate at optimum levels of investment activity and overheads	The Group's business has historically been reliant on capital markets, particularly those in the UK; however, the Group's business model is moving towards self-sustainability with realisations from the portfolio funding the Group's ongoing capital needs. The ability of the Group to raise further capital through realisations, or potentially through equity issues or debt, is influenced by the general economic climate and capital market conditions, particularly in the UK.	
Link to strategy Access to sufficient levels of capital allows the Group to invest in its investment assets, develop early-stage investment opportunities and invest in its most exciting companies to ensure attractive future financial returns.	**Actions taken by management** • The Group has significant balance sheet capital and managed funds capital to deploy in portfolio opportunities • The Group regularly forecasts cash requirements of the portfolio and ensures all capital allocations are compliant with budgetary limits, treasury and capital allocation policies and guidelines and transaction authorisation controls • The Group ensures that minimum cash is available to maintain sufficient headroom over debt covenants and regulatory capital requirements	**Risk appetite** Balanced
Examples of risk • The Group may not be able to provide the necessary capital to key priority assets, which may affect the portfolio companies' performance or dilute future returns of the Group • The Group may not be able to realise capital from its portfolio to fund the desired level of investment activity in the portfolio	**Development during the year** • The Group created a key role to develop greater levels of access to strategic third-party capital in 2022. The Group appointed a Managing Director of Global Capital following a robust process of role definition and recruitment an appointment was made in December 2022 • The Group's share price continued to trade below NAV during the year. The Group completed a share buyback programme to purchase its own shares up to an aggregate consideration of £35m and announced interim and final dividends of 0.5p and 0.76p per share respectively • A sub group of the Executive Committee met regularly throughout the year to oversee workstreams focused on narrowing the gap between NAV and the share price • Perception study completed in the year • Debt placement of £120m • Capital allocation group met monthly in 2022 responding to the volatile capital market environment • The quoted portfolio value reduced by £428.5m in the year	**Change from 2021** No change

Risk Management – continued

02 It may be difficult for the Group's portfolio companies to attract sufficient capital	The Group's portfolio companies are typically in their development or growth phases and, therefore, require additional capital to continue operations. While a proportion of this capital will generally be forthcoming from the Group, subject to capital allocation and company progress, additional third-party capital will usually also be necessary. The ability of portfolio companies to attract further capital is influenced by their financial and operational performance and the general economic climate and trading conditions, particularly (for many companies) in the UK.	
Link to strategy Access to sufficient levels of capital allows the Group's portfolio companies to invest in its technology and commercial opportunities to ensure future financial returns.	**Actions taken by management** • The Group operates a corporate finance function, which is experienced in carrying out fundraising mandates for Life Sciences and Tech portfolio companies • The Group maintains close relationships with a wide variety of co-investors that focus on companies at differing stages of development • The Group regularly forecasts cash requirements of the portfolio and monitors those with a heightened funding risk • Parkwalk Advisors continues to have independent investment decision making and is anticipated to continue to be an important co-investor with the Group, supporting shared portfolio companies	**Risk appetite** Low
Examples of risk • The success of those portfolio companies that require significant funding in the future may be influenced by the market's appetite for investment in early-stage companies, which may not be sufficient • Failure of companies within the Group's portfolio may make it more difficult for the Group or its spin-out companies to raise additional capital	**Development during the year** • IP Group hosted two portfolio company events in 2022 to showcase the Group's portfolio companies. These included a virtual Deeptech Showcase and an investor update to highlight three of IP Group's focus companies, Istesso Ltd, First Light Fusion Ltd and Featurespace Limited • Continued management of an A$210m+ trust and a separate mandate for A$45m for an Australian Super Fund that has a mandate to co-invest with IP Group plc portfolio companies. In the year, six Group portfolio companies received funding from these investment vehicles. Total assets at the end of the year for the managed trust totalled A$199.7m • Submitted an application for regulatory permissions in Hong Kong for a licence to raise capital from Hong Kong • Parkwalk raised £64m in 2022 and had total AUM of £478m at the end of 2022	**Change from 2021** No Change

03 The returns and cash proceeds from the Group's early-stage companies may be insufficient	Early-stage companies typically face a number of risks, including not being able to secure later rounds of funding at crucial development inflection points and not being able to source or retain appropriately skilled staff. Other risks arise where competing technologies enter the market, technology can be materially unproven and may ultimately fail, IP may be infringed, copied or stolen, may be more susceptible to cybercrime and other administrative taxation or compliance issues. These factors may lead to the Group not realising a sufficient return on its invested capital at an individual company or overall portfolio level.	
Link to strategy Uncertain or insufficient cash returns could impact the Group's ability to deliver attractive returns to shareholders when our ability to react to portfolio company funding requirements is negatively impacted or where budgeted cash proceeds are delayed.	**Actions taken by management** • The Group's employees have significant experience in sourcing, developing, and growing early-stage technology companies to significant value, including use of the Group's systematic opportunity evaluation and business building methodologies within delegated board authorities • Members of the Group's investment partnership teams typically serve as non-executive directors or advisors to portfolio companies to help identify and remedy critical issues promptly • The Group has portfolio company holdings across different sectors managed by experienced sector-specialist teams to reduce the impact of a single company failure or sector decline • The Group maintains significant cash balances and seeks to employ a capital efficient process deploying low levels of initial capital to enable identification and mitigation of potential failures at the earliest possible stage	**Risk appetite** High
Examples of risk • Portfolio company failure directly impacts the Group's value and profitability • At any time, a large proportion of the Group's portfolio may be accounted for by very few companies, which could exacerbate the impact of any impairment or failure of one or more of these companies • The value of the Group's drug discovery and development portfolio companies may be significantly impacted by a negative clinical trial result • Cash realisations from the Group's portfolio through trade sales and IPOs could vary significantly from year to year	**Development during the year** • The Group's portfolio companies raised approximately £1.0bn of capital in 2022 • Excluding the Oxford Nanopore holding, the Group held board seats on 74.0% of portfolio companies valued at greater than £5m by value • The Group hired two investment professionals across the Deeptech, Cleantech and Life Sciences sectors in 2022. Three investment professionals left the business, of which two took up senior roles at IP Group portfolio companies	**Change from 2021** No Change

04 The Group may lose key personnel or fail to attract and integrate new personnel

The industry in which the Group operates is a specialised area and the Group requires highly qualified and experienced employees. There is a risk that the Group's employees could be approached and solicited by competitors or other technology-based companies and organisations or could otherwise choose to leave the Group. Scaling the team, particularly in foreign jurisdictions such as Australia and New Zealand and Hong Kong, presents an additional potential risk.

Link to strategy

The Group's strategic objectives of developing and supporting a portfolio of compelling intellectual property-based opportunities into robust businesses capable of delivering attractive financial returns on our assets is dependent on the Group's employees who work with the portfolio companies and those who support them.

Actions taken by management

- Senior team succession plans
- Formal learning and development programme for all employees in place
- The Group carries out regular market comparisons for staff and executive remuneration and seeks to offer a balanced incentive package comprising a mix of salary, benefits, performance-based long-term incentives, and benefits such as flexible working and salary sacrifice arrangements
- The Group encourages employee development and inclusion through coaching and mentoring and carries out annual objective setting and appraisals
- The Group promotes an open culture of communication and provides an inspiring and challenging workplace where people are given autonomy to do their jobs. The Group is fully supportive of flexible working and has enabled employees to work flexibly
- An employee forum, "IP Connect" with an appointed designated Non-executive Director to facilitate dialogue with the Board in both directions. Part of IP Connect's remit is also to support the evolution of the culture and continuous improvement of working life at the Group
- An inclusion and diversity committee the "ID Project", sponsored by the CEO is in place to support an inclusive environment to work

Risk appetite

Balanced

Examples of risk

- Loss of key executives and employees of the Group or an inability to attract, retain and integrate appropriately skilled and experienced employees could have an adverse effect on the Group's competitive advantage, business, financial condition, operational results and future prospects

Development during the year

- Launched new remuneration policy, which simplified longer-term performance rewards replacing previous LTIP awards with RSPs
- Record employee engagement (net promoter) scores obtained in the year from employee engagement surveys
- Continued to dedicate senior team time and resources to the development of the Group's inclusion and diversity programme, the ID Project. The IDP Masterplan was launched and all staff received training in the year
- More than 90% of employees attended a L&D programme sponsored training course
- Continued high frequency of employee communications from Executive Directors and the Head of HR via bi-weekly all-staff meetings.
- The labour market generally remained supply constrained in 2022, which saw resignations rise in the market creating pressure in the talent acquisition and retention market. This pressure is acutely felt by the Group as front-office investment professionals were in particularly high demand.
- Staff attrition was 16.0%
- Approximately 50.0% of employees have been with the Company for at least five years

Change from 2021

No Change

05 Macroeconomic conditions may negatively impact the Group's ability to achieve its strategic objectives	Adverse macroeconomic conditions could reduce the opportunity to deploy capital into opportunities or may limit the ability of such portfolio companies to receive third-party funding, develop profitable businesses or achieve increases in value or exits. Political uncertainty, including impacts from Brexit, the COVID-19 pandemic or similar scenarios, could have a number of potential impacts, including changes to the labour market available to the Group for recruitment or regulatory environment in which the Group and its portfolio companies operate.	
Link to strategy The Group's strategic objectives of developing a portfolio of commercially successful portfolio companies and delivering attractive financial returns on our assets and third-party funds can be materially impacted by the current macroeconomic environment.	**Actions taken by management** • Senior management receive regular capital market and economic updates from the Group's capital markets team and its brokers • Monthly capital allocation process and on-going monitoring against agreed budget • Regular oversight of upcoming capital requirements of portfolio from both the Group and third parties • The Group's Risk Council conducts horizon scanning for upcoming events that may impact the Group	**Risk appetite** High
Examples of risk • The success of those portfolio companies that require significant external funding may be influenced by the market's appetite for investment in early-stage companies, which may not be sufficient • Of the Group's portfolio value 18.1% is held in companies quoted on public markets and decreases in values to these markets could result in a material fair value impact to the portfolio as a whole	**Development during the year** • Macroeconomic and geopolitical conditions remain uncertain in the UK. Inflation peaked in the year at 11.2% in the UK and interest rate rises were seen across the UK, Eurozone, US and elsewhere, ending an era of low interest rates. The market anticipates further increases to interest rates in the short term, albeit at a slower rate than seen in 2022 and continued challenges to economic growth in the short and medium term • The Group has maintained significant cash reserves and agreed a debt placing in 2022 raising an additional £120m available for investment and as such is well placed to respond to macroeconomic uncertainty	**Change from 2021** No change

06 There may be changes to, impacts from, or failure to comply with, legislation, government policy and regulation	There may be unforeseen changes in, or impacts from, government policy, regulation or legislation (including taxation legislation). This could include changes to funding levels or to the terms upon which public monies are made available to universities and research institutions and the ownership of any resulting intellectual property.	
Link to strategy The Group's strategic objectives of creating and maintaining a portfolio of compelling opportunities to deliver attractive returns for shareholders could be materially impacted by failure to comply with, or adequately plan for, a change in legislation, government policy or regulation.	**Actions taken by management** • University partners are incentivised to protect their IP for exploitation as the partnership agreements share returns between universities, academic founders and the Group • The Group utilises professional advisors as appropriate to support its monitoring of, and response to changes in, tax, insurance or other legislation • The Group has internal policies and procedures to ensure its compliance with applicable regulations • The Group maintains D&O and professional indemnity insurance policies	**Risk appetite** Low
Examples of risk • Changes could result in universities and researchers no longer being able to own, exploit or protect intellectual property on attractive terms • Changes to tax legislation or the nature of the Group's activities, in particular in relation to the Substantial Shareholder Exemption, may adversely affect the Group's tax position and accordingly its value and operations • Regulatory changes or breaches could ultimately lead to withdrawal of regulatory permissions for the Group's authorised subsidiaries, resulting in loss of fund management contracts, reputational damage or fines	**Development during the year** • Ongoing focus on regulatory compliance, including third-party reviews and utilisation of specialist advisors • Parkwalk Advisors Ltd applied to the FCA to vary their regulatory permissions with the FCA in the year to allow them to increase the level of assets under management in response to their success as an EIS investment manager • The Group adopted a conflicts of interest policy in the year documenting the Group's approach to identifying and managing conflicts of interest relating to investment and divestment decisions • Submitted an application for a Type 1 and Type 9 regulatory licence to the Securities and Futures Commission ("SFC") in Hong Kong. The licences, if granted, will allow the Group's Hong Kong subsidiary to raise capital for the Group's portfolio companies and other similar companies and manage a PRC-based fund	**Change from 2021** Decrease

07 The Group and its portfolio companies may be subjected to phishing and ransomware attacks, data leakage and hacking	This could include taking over email accounts to request or authorise payments, GDPR breaches and access to sensitive corporate and portfolio company data.	
Link to strategy The Group's strategic objectives of creating and maintaining a portfolio of compelling opportunities to deliver attractive returns for shareholders could be materially impacted by a serious cyber security breach at a corporate or portfolio company level.	**Actions taken by management** • The Group reviews its data and cyber-security processes with its external outsourced IT providers and applies the UK Government's "ten steps" framework or other national equivalents where relevant • Regular IT management reporting framework in place • Internal and third-party reviews of policies and procedures in place to ensure appropriate framework in place to safeguard data • Assessment of third-party suppliers of cloud-based and on-premises systems in use • Annual Cyber & IT training is supplemented by regular bite-sized and interactive cyber security training • Network and infrastructure security systems to respond to emerging threats	**Risk appetite** Low
Examples of risk • The Group, or one, or a combination of, its portfolio companies could face significant fines from a data security breach • The Group or one of its portfolio companies could be subjected to a phishing attack, which could lead to invalid payments being authorised or a sensitive information leak • A malware or ransomware attack could lead to systems becoming non-functioning and impair the ability of the business to operate in the short term	**Development during the year** • Ongoing focus on IT security and staff training, including completing the implementation of remediations agreed from internal audit reviews and utilisation of specialist advisers • Continued programme of phishing and penetration testing • Three cyber-attack simulations were undertaken in the year to allow executive management to practice their planned response to a serious cyber incident, including two externally facilitated sessions • Additional, regular, bite-sized and interactive cyber security training provided to staff to supplement formal annual cyber security training launched in the year • Reviewed disaster recovery plans in the year	**Change from 2021** No change

08 The Group may be negatively impacted by operational issues both from a UK central and international operations perspective

The potential for a negative impact to the Group arising from operational issues such as business continuity and the overseas operations through non-compliance with local laws and regulations, failure to integrate overseas operations with the Group, an inability to foresee territory-specific risks and macro-events. The Group may also fail to establish effective control mechanisms, considering different working culture and environment, leading to significant senior management time requirement, distracting from core day-to-day business.

Link to strategy

The Group's strategy includes building a portfolio of compelling intellectual property-based companies across the UK, US and Australia and New Zealand. The scale of the Group's operations, including internationally represents increased importance of successful execution of its operations.

Actions taken by management

- Local legal and regulatory advisors have been engaged in the establishment phase of overseas operations. US and Australia and New Zealand teams have their own in-house legal teams who regularly report to the UK-based General Counsel
- Business continuity plans are in place for the Group and tested regularly
- IP Exec and HR are involved in senior hires for new territories. Senior international personnel include current and former UK employees, encouraging a shared culture across territories
- Video conferencing has temporarily replaced regular travel between the UK and other territories to ensure the Group is aligned in its strategy and culture. It is likely that video conferencing will continue to be used in place of some travel post pandemic
- The risk management framework in place across each business unit has been established in each international territory and is integrated into the Group's regular risk management processes and reporting
- Third-party suppliers are used for international accounting and payroll services to reduce the risk of fraud within smaller teams

Risk appetite

Balanced

Examples of risk

- A legal or regulatory breach could ultimately lead to the withdrawal of regulatory permissions overseas, resulting in loss of trust management contracts, reputational damage and fines
- Divergent Group cultures may lead to difficulties in achieving the Group's strategic aims
- A major control failure could lead to a successful fraudulent attack on the Group's IT infrastructure or access to bank accounts
- Senior management may spend a significant amount of time in setting up and establishing new territories, which could detract from central Group strategy and operations

Development during the year

- Continued coordination of risk reporting across Australia, New Zealand, Hong Kong, and USA
- Application for Hong Kong regulatory permissions submitted to local regulator
- UK, US and Australian travel restrictions generally lifted making travel between the Group's offices possible, which included a CEO visit to Australia to celebrate the Australian team's fifth birthday. China relaxed its COVID-19 policy at the end of the year allowing our colleagues based in Hong Kong to travel more easily within Greater China and to the UK
- Extensive training and testing of the Group's cyber response plans in the year
- An internal audit review of the Group's business continuity plans was undertaken in the year.

Change from 2021

No change

Viability statement

The Directors have carried out a robust assessment of the viability of the Group over a three-year period to December 2025, considering its strategy, its current financial position and its principal risks. The three-year period reflects the time horizon reviewed by the Board, and over which the Group places a higher degree of reliance over the forecasting assumptions used.

The strategy and associated principal risks underpin the Group's three-year financial plan and scenario testing, which the Directors review and approve at least annually. As a business which seeks to accelerate the impact of science for a better future through our portfolio companies, our business model seeks to balance cash investments, the generation of portfolio returns and ultimately portfolio realisations. The three-year plan is built using a bottom-up model using assumptions over:

- the level of portfolio investment
- the level of realisations from the portfolio (net of carried interest payments)
- the financial performance (and valuation) of the underlying portfolio companies
- the Group's drawdown and repayment of its debt
- the Group's ability to raise further capital
- the level of the Group's net overheads and
- the level of dividends and share buybacks

Of the Group's principal risks, those relating to insufficient capital (both Group and portfolio companies), insufficient investment returns and macroeconomic conditions are deemed to be the most relevant to the Group's viability assessment due to their potential to impact the Group's liquidity position and balance sheet position, both of which directly impact the level of headroom over the Group's debt covenants. Other principal risks including; personnel risk; legislation, governance and regulation; cyber and IT and international operations could have an impact on viability within the assessment period.

To assess the impact of the Group's principal risks on the prospects of the Group, the plan is stress-tested by modelling severe but plausible and intermediate downside scenarios where adverse impacts across the Group's principal risks relating to insufficient capital, insufficient investment returns and macroeconomic conditions were considered as part of the review. Under the severe downside scenario, a 70% reduction in planned realisations and a 35% decline in portfolio fair values that were considered together with a series of mitigating actions, including reducing planned levels of investment.

Under these stress-testing scenarios, significant reductions to portfolio investments are made in the following two years to preserve the Group's remaining cash balances. In all scenarios modelled, the Group remains solvent throughout the three-year period with no breach of debt covenants of a "cash trap period" occurring. See Note 19 for further details on cash trap arrangements.

Based on this assessment, the Directors have a reasonable expectation that the Group will continue to operate and meets its liabilities, as they fall due, up to December 2025.

Strategic Report approval

The Strategic Report as set out above has been approved by the Board.

Consolidated Financial Information

The financial information set out below has been extracted from the Annual Report and Accounts of IP Group plc for the year ended 31 December 2022 and is an abridged version of the full financial statements, not all of which are reproduced in this announcement.

Directors' Responsibilities Statement

The responsibility statement set out below has been reproduced from the Annual Report and Accounts, which will be published in April 2023, and relates to that document and not this announcement.

Each of the Directors confirms to the best of their knowledge:

- The Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group.
- The Annual Report and Accounts includes a fair review of the development and performance of the business and the financial position of the Group and the parent company, together with a description or the principal risks and uncertainties that they face.

On behalf of The Board

Sir Douglas Flint
Chairman

Greg Smith
Chief Executive Officer

7 March 2023

Consolidated Financial Information – continued

Consolidated statement of comprehensive income

For the year ended 31 December 2022

	Note	2022 £m	2021 £m
Portfolio return and revenue			
Change in fair value of equity and debt investments	13	**(303.4)**	415.9
(Loss)/gain on disposal of equity and debt investments	15	**(7.8)**	81.5
Change in fair value of LP interests	14	**2.1**	1.8
Loss on deconsolidation and disposal of subsidiary	22	**–**	(3.8)
Revenue from services and other income	4	**7.1**	13.6
		(302.0)	508.9
Administrative expenses			
Carried interest plan charge	24	**(12.0)**	(17.2)
Share-based payment charge	23	**(2.9)**	(2.6)
Other administrative expenses	8	**(27.4)**	(33.2)
		(42.3)	(53.0)
Operating (loss)/profit	7	**(344.3)**	456.0
Finance income		**2.2**	0.4
Finance costs		**(1.4)**	(1.8)
(Loss)/profit before taxation		**(343.5)**	454.6
Taxation	10	**(1.0)**	(5.3)
(Loss)/profit for the year		**(344.5)**	449.3
Other comprehensive income			
Exchange differences on translating foreign operations		**0.5**	0.3
Total comprehensive (loss)/profit for the year		**(344.0)**	449.6
Attributable to:			
Equity holders of the parent		**(341.5)**	448.5
Non-controlling interest		**(2.5)**	1.1
		(344.0)	449.6
(Loss)/profit per share			
Basic (p)	11	**(33.01)**	42.33
Diluted (p)	11	**(33.01)**	41.68

The accompanying notes form an integral part of the financial statements.

Consolidated statement of financial position

As at 31 December 2022

	Note	2022 £m	2021 £m
ASSETS			
Non-current assets			
Goodwill		**0.4**	0.4
Property, plant and equipment		**0.4**	0.3
Portfolio:			
Equity investments	13	**1,120.8**	1,391.8
Debt investments	13	**38.1**	22.8
Limited and limited liability partnership interests	14	**99.6**	92.9
Receivable on sale of debt and equity investments	15,17	**6.9**	31.3
Total non-current assets		**1,266.2**	1,539.5
Current assets			
Trade and other receivables	16	**8.8**	6.9
Receivable on sale of debt and equity investments	15,17	**41.3**	11.0
Deposits	3	**152.8**	216.2
Cash and cash equivalents	3	**88.7**	105.7
Total current assets		**291.6**	339.8
Total assets		**1,557.8**	1,879.3
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Called up share capital	21	**21.3**	21.3
Share premium account		**102.5**	102.4
Retained earnings		**1,257.9**	1,617.5
Total equity attributable to equity holders		**1,381.7**	1,741.2
Non-controlling interest		**(5.6)**	(3.1)
Total equity		**1,376.1**	1,738.1
Current liabilities			
Trade and other payables	18	**16.9**	18.7
Borrowings	19	**6.3**	15.4
Total current liabilities		**23.2**	34.1
Non-current liabilities			
Borrowings	19	**75.1**	36.4
Carried interest plan liability	24	**44.1**	33.1
Deferred tax liability	10	**6.8**	5.8
Loans from limited partners of consolidated funds	19	**19.5**	18.7
Revenue share liability	20	**13.0**	13.1
Total non-current liabilities		**158.5**	107.1
Total liabilities		**181.7**	141.2
Total equity and liabilities		**1,557.8**	1,879.3

Registered number: 4204490

The accompanying notes form an integral part of the financial statements. The financial statements were approved by the Board of Directors and authorised for issue on 7 March 2023 and were signed on its behalf by:

Greg Smith
Chief Executive Officer

David Baynes
Chief Financial & Operating Officer

Consolidated statement of cash flows

For the year ended 31 December 2022

	Note	2022 £m	2021 £m
Operating activities			
(Loss) / Profit before taxation for the period		(343.5)	454.6
Adjusted for:			
Change in fair value of equity and debt investments	13	303.4	(415.9)
Change in fair value of limited and limited liability partnership interests	14	(2.1)	(1.8)
Loss/(gain) on disposal of equity investments	15	7.8	(81.5)
Loss on deconsolidation of subsidiary	22	–	3.8
Depreciation of right of use asset, property, plant and equipment		0.6	1.6
Long term incentive carry scheme charge	24	12.0	17.2
Corporate finance fees settled in the form of portfolio company equity		(0.5)	(0.5)
Finance income		(2.2)	(0.4)
Finance costs		1.4	1.8
Share-based payment charge	23	2.9	2.6
Changes in working capital			
Carried interest scheme payments	24	(1.0)	(3.4)
(Increase) in trade and other receivables	16	(0.5)	(3.0)
(Decrease)/increase in trade and other payables	18	(2.8)	8.8
Drawdowns from limited partners of consolidated funds		0.8	27.7
Other operating cash flows			
Net interest received/(paid)		0.2	(1.5)
Net cash (outflow)/inflow from operating activities		(23.5)	10.0
Investing activities			
Purchase of property, plant and equipment		(0.3)	(0.2)
Purchase of equity and debt investments	13	(88.9)	(103.7)
Investment in limited and limited liability partnership funds	14	(4.6)	(3.0)
Distribution from limited partnership funds	14	–	0.5
Cash flow to deposits		(208.7)	(230.5)
Cash flow from deposits		272.1	156.9
Cash disposed via deconsolidation of subsidiary	22	–	(7.1)
Proceeds from sale of equity and debt investments	15	28.1	213.4
Net cash (outflow)/inflow from investing activities		(2.3)	26.3
Financing activities			
Dividends paid	28	(12.3)	(15.0)
Repurchase of own shares – treasury shares	21	(8.0)	(27.2)
Lease principal payment		(0.5)	(0.7)
Repayment of EIB facility	19	(29.8)	(15.4)
Drawdown of loan facility (net of costs)	19	59.4	–
Net cash inflow/(outflow) from financing activities		8.8	(58.3)
Net decrease in cash and cash equivalents		(17.0)	(22.0)
Cash and cash equivalents at the beginning of the year		105.7	127.6
Effect of foreign exchange rate changes		–	0.1
Cash and cash equivalents at the end of the year		88.7	105.7

The accompanying notes form an integral part of the financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2022

	Attributable to equity holders of the parent					
	Share capital	Share premium[1] £m	Retained earnings[2] £m	Total £m	Non-controlling interest[3] £m	Total equity £m
At 1 January 2021	21.3	101.6	1,208.5	1,331.4	0.5	1,331.9
Profit for the year	–	–	448.2	448.2	1.1	449.3
Deconsolidation of subsidiary[4]	–	–	0.9	0.9	(4.7)	(3.8)
Issue of shares[5]	–	0.8	–	0.8	–	0.8
Purchase of treasury shares[6]	–	–	(27.2)	(27.2)	–	(27.2)
Equity-settled share-based payments	–	–	2.6	2.6	–	2.6
Ordinary dividends[7]	–	–	(15.8)	(15.8)	–	(15.8)
Currency translation[8]	–	–	0.3	0.3	–	0.3
At 1 January 2022	**21.3**	**102.4**	**1,617.5**	**1,741.2**	**(3.1)**	**1,738.1**
(Loss) for the year	–	–	(342.0)	(342.0)	(2.5)	(344.5)
Issue of shares[5]	–	0.1	–	0.1	–	0.1
Purchase of treasury shares[6]	–	–	(8.0)	(8.0)	–	(8.0)
Equity-settled share-based payments	–	–	2.9	2.9	–	2.9
Ordinary dividends[7]	–	–	(12.7)	(12.7)	–	(12.7)
Currency translation[8]	–	–	(0.2)	(0.2)	–	(0.2)
At 31 December 2022	**21.3**	**102.5**	**1,257.9**	**1,381.7**	**(5.6)**	**1,376.1**

1 Share premium – Amount subscribed for share capital in excess of nominal value, net of directly attributable issue costs.
2 Retained earnings – Cumulative net gains and losses recognised in the consolidated statement of comprehensive income net of associated share-based payments credits.
3 Non-controlling interest – Share of profits attributable to the Limited Partners of IP Venture Fund II LP.
4 Deconsolidation of subsidiary – during the financial year 2021 IPG Cayman LP was deconsolidated, resulting in the disposal of NCI and the recycling of £0.9m currency translation reserve through the Income Statement. See note 22.
5 Issue of shares – Share premium in connection with the Interim Scrip Dividend, the Group has received valid elections from shareholders resulting in a requirement to issue new ordinary shares of 2p each ("New Shares").
6 Purchase of treasury shares – Reflects the issue of 7,429,494 ordinary shares, with an aggregate value of £8.0m, these were purchased by the Company during the year and are held in treasury. Total value including costs was £8.0m. (2021: 22,279,127 share purchased for total value of £27.0m, total including costs of £27.2m). These shares were purchased for the £35m share buyback. This also includes movement in treasury shares related to DBSP and employee SAYE schemes.
7 Ordinary dividends – Of the £12.7m dividends paid in 2022, £12.3m was settled in cash and £0.4m was settled via the issue of equity under the Group's scrip programme (2021: £15.8m, £15.0m, £0.8m). 485,569 new shares were issued in respect of the scrip dividend (2021: 679,553 shares issued).
8 Currency translation – Reflects currency translation differences on reserves non-GBP functional currency subsidiaries. Exchange differences on translating foreign operations are presented before tax.

The accompanying notes form an integral part of the financial statements.

Notes to the consolidated financial statements

1. Accounting policies

A) Basis of preparation

The Annual Report and Accounts of IP Group plc ("IP Group" or the "Company") and its subsidiary companies (together, the "Group") are for the year ended 31 December 2022. The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated. The Group financial statements have been prepared and approved by the directors in accordance with international accounting standards in accordance with UK–adopted international accounting standards ("UK–adopted IFRS").

The preparation of financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in the most appropriate selection of the Group's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in note 2.

Going concern

The financial statements are prepared on a going concern basis. The directors have completed a detailed financial forecast alongside severe but plausible scenario–based downside stress–testing, including the impact of declining portfolio values and a reduced ability to generate portfolio realisations.

At the balance sheet date, the Group had cash and deposits of £241.5m, providing liquidity for at least two years' operating expenses, portfolio investment and debt repayments at recent levels. Furthermore, the Group has a portfolio of investments valued at over £1.26bn, which is anticipated to provide further liquidity over the forecast period. Accordingly, our forecasting indicates that the Group has adequate resources to enable it to meet its obligations including its debt covenants and to continue in operational existence for at least the next twelve months from the approval date of the accounts. For further details see the Group's viability.

Changes in accounting policies

(i) New standards, interpretations and amendments effective from 1 January 2022
No new standards, interpretations and amendments effective in the year have had a material effect on the Group's financial statements.

(ii)New standards, interpretations and amendments not yet effective
No new standards, interpretations and amendments not yet effective are expected to have a material effect on the Group's future financial statements.

B) Basis of consolidation

IFRS 10 Investment Entity Exemption

IFRS 10 defines an investment entity as one which:

a) Obtains funds from one or more investors for the purpose of providing those investors with investment management services
b) Commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both
c) Measures and evaluates the performance of substantially all of its investments on a fair value basis

We believe that IP Group plc does not meet this definition of an investment entity with the key factors behind this conclusion being:

- the absence of specific exit strategies for early–stage assets (indicating condition (b) above is not satisfied)
- the ability to hold investments indefinitely (indicating condition (b) above is not satisfied)
- the flexibility to explore the direct commercialisation of intellectual property within the Group if that is determined to be the most attractive means of generating value for shareholders. (indicating condition (a) above is not satisfied)

Accordingly, we have applied IFRS 10 consolidation principles for each group of entities as follows:

(i) Subsidiaries
Where the Group has control over an entity, it is classified as a subsidiary. Typically, the Group owns a non–controlling interest in its portfolio companies; however, in certain circumstances, the Group takes a controlling interest and hence categorises the portfolio company as a subsidiary. As per IFRS 10, an entity is classed as under the control of the Group when all three of the following elements are present: power over the entity; exposure to variable returns from the entity; and the ability of the Group to use its power to affect those variable returns.

In situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights, it is considered that de facto control exists. In determining whether de facto control exists the Group considers the relevant facts and circumstances, including:

- The size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights;
- Substantive potential voting rights held by the Company and by other parties;
- Other contractual arrangements; and
- Historic patterns in voting attendance.

In assessing the IFRS 10 control criteria in respect of the Group's private portfolio companies, direction of the relevant activities of the company is usually considered to be exercised by the company's board, therefore the key control consideration is whether the Group currently has a majority of board seats on a given company's board, or is able to obtain a majority of board seats via the exercise of its voting rights. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

The consolidated financial statements present the results of the Company and its subsidiaries as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full. The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets and liabilities are initially recognised at their fair values at the acquisition date. Contingent liabilities dependent on the disposed value of an associated investment are only recognised when the fair value is above the associated threshold. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are consolidated until the date on which control ceases.

(ii) Associates/portfolio companies
The majority of the Group's portfolio companies are deemed to be Associates, as the Group has significant influence (generally accompanied by a shareholding of between 20% and 50% of the voting rights) but not control. A small number of the Group's portfolio companies are controlled and hence consolidated, as per section (i) above.

As permitted under IAS 28, the Group elects to hold investments in Associates at fair value through profit and loss in accordance with IFRS 9. This treatment is specified by IAS 28 Investment in Associates and Joint Ventures, which permits investments held by a venture capital organisation or similar entity to be excluded from its measurement methodology requirements where those investments are designated, upon initial recognition, as at fair value through profit or loss and accounted for in accordance with IFRS 9 Financial Instruments. Therefore, no associates are presented on the consolidated statement of financial position.

Changes in fair value of associates are recognised in profit or loss in the period of the change. The Group has no interests in Associates through which it carries on its operating business.

The disclosures required by Section 409 of the Companies Act 2006 for associated undertakings are included in note 13 of the Company financial statements. Similarly, those investments which may not have qualified as an Associate but fall within the wider scope of significant holdings and so are subject to Section 409 disclosure acts are also included in note 11 of the Company financial statements.

(iii) Limited Partnerships and Limited Liability Partnerships ("Limited Partnerships")
a) Consolidated Limited Partnership fund holdings
The Group has a holding in the following Limited Partnership fund, which it determines that it controls and hence consolidates on a line by line basis:

Name	Interest in Limited partnership %
IP Venture Fund II LP ("IPVFII")	33.3

In order to determine whether the Group controls the above funds, it has considered the IFRS 10 control model and related application guidance. In respect of IPVFII, the Group has power via its role as fund manager of the partnership, and exposure to variable returns via its 33.3% ownership interest, resulting in the conclusion that the Group controls and hence consolidates the fund.

b) Other non-consolidated Limited Partnership fund holdings
In addition to Limited Partnerships where Group entities act as general partner and investment manager, the Group has interests in three further entities which are managed by third parties:

Name	Interest in Limited partnership %
IPG Cayman LP	58.1
UCL Technology Fund LP ("UCL Fund")	46.4
Technikos LLP ("Technikos")	17.7

The rationale for IPG Cayman LP's categorisation as a non-consolidated fund is considered a significant accounting judgment and is set out in note 2.

The Group has a 46.4% interest in the total capital commitments of the UCL Fund. The Group has committed £24.8m to the fund alongside the European Investment Fund ("EIF"), University College London and other investors. Participation in the UCL Fund provides the Group with the opportunity to generate financial returns and visibility of potential intellectual property from across University College London's research base.

The Group has an 17.7% interest in the total capital commitments of Technikos, a fund with an exclusive pipeline agreement with Oxford University's Institute of Biomedical Engineering.

At the beginning of 2021 the Group had an 8.3% interest in the total capital commitments of Apollo Therapeutics LLP ("Apollo"), a £40.0m venture between AstraZeneca, GlaxoSmithKline, Johnson & Johnson and the technology transfer offices of Imperial College London, University College London and the University of Cambridge. During the year, the portfolio of programmes developed by Apollo was restructured in a new portfolio company, Apollo Therapeutics Limited, concurrent with a $145m funding round. The Group now holds a 1.9% holding in the Apollo Therapeutics Group Limited, which was transferred into the equity investment portfolio.

See note 27 for disclosure of outstanding commitments in respect of Limited Partnerships.

iv) Other third party funds under management
In addition to the Limited Partnership fund IPVFII, described above, the Group also manages other third-party funds, including within its Parkwalk business unit, described in further detail in the Portfolio Review section, and on behalf of Australian superannuation fund Hostplus. In both cases, the Group has no direct beneficial interest in the assets being managed, and therefore its sole exposure to variable returns relates to performance fees payable on exits above a specified hurdle. As a result, the Group is not deemed to control these managed assets and they are not consolidated.

v) Non–controlling interests
The total comprehensive income, assets and liabilities of non–wholly owned entities are attributed to owners of the parent and to the non–controlling interests in proportion to their relative ownership interests.

vi) Business combinations
The Group accounts for business combinations using the acquisition method from the date that control is transferred to the Group (see (i) Subsidiaries above). Both the identifiable net assets and the consideration transferred in the acquisition are measured at fair value at the date of acquisition and transaction costs are expensed as incurred. Goodwill arising on acquisitions is tested at least annually for impairment. In instances where the Group owns a non–controlling stake prior to acquisition the step acquisition method is applied, and any gain or losses on the fair value of the pre–acquisition holding is recognised in the consolidated statement of comprehensive income.

C) Other accounting policies

Regulated capital
Top Technology Ventures Limited and Parkwalk Advisors Ltd, are Group subsidiaries which are subject to external capital requirements imposed by the Financial Conduct Authority ("FCA") and as such must ensure that they have sufficient capital to satisfy these requirements. The Group ensures it remains compliant with these requirements as described in their respective financial statements.

Lease accounting
For leases there is no longer a distinction between finance and operating leases as all leases are now recognised on the balance sheet. When a lease commences a lease liability is recognised that is equal to the present value of the minimum lease payments. A right-of-use asset is also recognised and is equal in value to the lease liability. This represents the right to use the leased asset for the full term of the lease.

Short term leases and low-value leases are exempt from recognition on the balance sheet and the payments are instead recognised on a straight-line basis in the income statement in the same way as they would have under IFRS17. Right-of-use assets are depreciated over the total lease term. As the discounting is unwound, interest is charged in the income statement and increases the lease liabilities. When lease payments are made, the lease liabilities reduce. Therefore, both right of use assets and lease liabilities have nil value at the end of the lease. Lease payments are discounted using the interest rate implicit in the lease or the incremental borrowing rate where the interest rate implicit in the lease is not available.

Cash flow statement classification
Cash flow relating to portfolio investments have been presented as investing cash flows as opposed to cash flows from operating activities. Management considers this to be an appropriate classification representing the fact that the relevant cashflows are allocated towards resources intended to generate future income and cash flows.

2. Significant accounting estimates and judgements

The directors make judgements and estimates concerning the future. Estimates and judgements are continually evaluated and are based on historical experience and other factors, such as expectations of future events, and are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and assumptions which have the most significant effects on the carrying amounts of the assets and liabilities in the financial statements are discussed below.

A) Valuation of unquoted equity and debt investments and limited participation interests (significant estimate)
The Group's accounting policy in respect of the valuation of unquoted equity investments is set out in note 13, and in respect of limited participation interests in note 14. In applying this policy, the key areas over which judgement are exercised include:

- Consideration of whether a funding round is at arm's length and therefore representative of fair value.
- The relevance of the price of recent investment as an input to fair value, which typically becomes more subjective as the time elapsed between the recent investment date and the balance sheet date increases.
- In the case of companies with complex capital structures, the appropriate methodology for assigning value to different classes of equity based on their differing economic rights.
- Where using valuation methods such as discounted cash flows or revenue multiples, the assumptions around inputs including the probability of achieving milestones and the discount rate used, and the choice of comparable companies used within revenue multiple analysis.
- Where valuations are based on future events such as sales processes or future funding rounds, the appropriate level of execution risk to be applied to the anticipated event when assessing its valuation impact as at the balance sheet date.
- Debt investments typically represent convertible debt; in such cases judgement is exercised in respect of the estimated equity value received on conversion of the loan.

Valuations are based on management's judgement after consideration of the above and upon available information believed to be reliable, which may be affected by conditions in the financial markets. Due to the inherent uncertainty of the investment valuations, the estimated values may differ significantly from the values that would have been used had a ready market for the investments existed, and the differences could be material.

B) Application of IFRS 10 in respect of IPG Cayman LP and Istesso Limited (significant judgement)
Istesso Limited
In respect of Istesso Limited, although the Group has a 56.4% undiluted economic interest in the company, the Group holds a significant proportion of its equity via non–voting shares resulting in it holding less than 50% of the voting rights at the company. Under Istesso's Articles of Association, strategic and day-to-day decisions over running of the business rest with the Board of Directors rather than through shareholder voting rights attached to direct ownership of equity interests held in the entity. In this respect, power over Istesso is exercised predominantly through directors' meetings, on which IP Group is not deemed to have majority representation. As such, the relationship between Istesso and IP Group is designed in such a way that "shareholder" voting rights are not the dominant factor in deciding who directs the investee's relevant activities, but it is the directors who do so. IP Group does not control the board of Istesso Limited via a majority of board directors, and is specifically prevented from appointing additional directors to gain control of the board via restrictions in Istesso's Articles of Association.

During the year, the Group provided a £10m convertible loan to Istesso Limited. The terms of the loan contain specific provisions preventing its conversion where this would result in IP Group obtaining control of Istesso. Based on an updated control assessment, including considerations around whether IP Group has 'de facto' control of Istesso including inter alia the number of voting shares held by the Group and its connected parties and the dispersion of other parties' voting rights, we have concluded that the Group does not control Istesso Limited under IFRS 10

IPG Cayman LP

The Group's US portfolio is held via a limited partnership fund, IPG Cayman LP, which was set up in 2018 to facilitate third party investment into this portfolio. The fund is managed by IP Group, Inc., formerly an operating subsidiary of the Group. Prior to 2021, the Group was judged to control both IPG Cayman LP and IP Group, Inc. under IFRS 10 and hence both entities were consolidated.

In 2021, several events took place which caused us to reassess the Group's control of both entities:

- IPG Cayman LP raised additional third–party funds in the first half of 2021, which reduced the Group's stake in the fund from 80.7% to 58.1%.
- Investors in the 2021 IPG Cayman LP funding round hold an option to subscribe additional funds which, if exercised, would result in IP Group holding less than 50% in the fund.
- In November 2021 the Group disposed of its equity in IPG Cayman LP's fund manager, IP Group, Inc. and hence no longer controls the fund manager.

As a result of these changes, our control assessment concluded that IPG Inc. is acting as an agent on behalf of all investors in the Cayman LP and not solely IPG plc, therefore the Group no longer controls IPG Cayman LP. The Group therefore ceased to consolidate it from November 2021. See note 22 for further details on the accounting impact of the deconsolidation.

Arriving at this conclusion required the application of judgement, most significantly in assessing the application guidance contained in IFRS 10 B19 which suggests that in some instances a special relationship may exist (such as the fact that we remain the largest individual investor in the fund), implying that an investor has a more than passive interest in the investee. Having considered this guidance we conclude that on balance the Group does not have power over IPG Cayman LP and hence does not control it.

There have been no significant changes in the facts and circumstances relating to control considerations in respect of IPG Cayman LP in 2022.

3. Financial risk management

As set out in the principal risks and uncertainties section, the Group is exposed, through its normal operations, to a number of financial risks, the most significant of which are market, liquidity and credit risks.

In general, risk management is carried out throughout the Group under policies approved by the Board of Directors. The following further describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

A) Market risk

(i) Price risk

The Group is exposed to equity securities price risk as a result of the equity and debt investments, and investments in Limited Partnerships held by the Group and categorised as at fair value through profit or loss.

The Group mitigates this risk by having established investment appraisal processes and asset monitoring procedures which are subject to overall review by the Board. The Group has also established corporate finance and communications teams dedicated to supporting portfolio companies with fundraising activities and investor relations.

The Group holds 13 investments valued at £228.7m which are publicly traded (2021: 13, £662.7m), and the remainder of its investments are not traded on an active market.

The net portfolio loss in 2022 of £304.3m represents a 21.5% decrease against the opening balance (2021: gain of £497.4m, 42.8%). The table below summarises the impact of a 1% increase/decrease in the price of both quoted and unquoted investments on the Group's post–tax profit for the year and on equity.

			2022			2021
	Quoted £m	Unquoted £m	Total £m	Quoted £m	Unquoted £m	Total £m
Equity and debt investments and investments in limited partnerships	2.3	10.4	12.7	6.6	8.4	15.0

(ii) Foreign exchange risk

The Groups' main exposure to foreign currency risk is via its investment portfolio, which is partially denominated in US dollars, Australian dollars, Euros and Swedish Krona. Further details of currency exposure in the portfolio are given in notes 13 and 14.

Additionally, the Group's assets include deferred consideration relating to US dollar denominated proceeds totalling £35.5m (2021: £28.2m), with the largest element relating to proceeds of £28.8m receivable in the first half of 2023 relating to the disposal of WaveOptics.

The Group has entered into forward foreign exchange contracts to mitigate risk of exchange rate exposure to an element of these proceeds. As at 31 December 2022 the notional amount of the forward foreign exchange contracts held by the Company was $26.3 million (2021: nil). The settlement date of these is 30 June 2023. The fair value of these contracts at the balance sheet date was £0.1m.

(iii) Interest rate risk

The Group holds a debt facility with the European Investment Bank and a loan note facility primarily with Phoenix Group with the overall balance as at 31 December 2022 amounting to £81.9m (excluding setup costs). These loans are all subject to fixed rate interest (following the repayment of variable rate loans in the year) being subject to an average fixed rate interest of 4.65% (2021: 3.1%).

For further details of the Group's loans including covenant details see note 19.

The other primary impact of interest rate risk to the Group is the impact on the income and operating cash flows as a result of the interest–bearing deposits and cash and cash equivalents held by the Group.

(iv) Concentrations of risk

The Group is exposed to concentration risk via the significant majority of the portfolio being UK–based companies and thus subject to the performance of the UK economy. In recent years, the Group has increased the scale of its operations in the US both via its holding in IPG Cayman LP and via the relocation of certain portfolio companies to the US. The group has also increased the scale of its operations in Australia via additional investment in this geography.

The Group mitigates this risk, in co–ordination with liquidity risk, by managing its proportion of fixed to floating rate financial assets. The table below summarises the interest rate profile of the Group.

				2022				2021
	Fixed rate £m	**Floating rate £m**	**Interest free £m**	**Total £m**	Fixed rate £m	Floating rate £m	Interest free £m	Total £m
Financial assets								
Equity investments	**–**	**–**	**1,120.8**	**1,120.8**	–	–	1,391.8	1,391.8
Debt investments	**–**	**–**	**38.1**	**38.1**	–	–	22.8	22.8
Limited and limited liability partnership interests	**–**	**–**	**99.6**	**99.6**	–	–	92.9	92.9
Trade receivables	**–**	**–**	**2.1**	**2.1**	–	–	1.7	1.7
Other receivables	**–**	**–**	**6.7**	**6.7**	–	–	5.2	5.2
Receivable on sale of debt and equity investments	**–**	**–**	**48.2**	**48.2**	–	–	42.3	42.3
Deposits	**152.8**	**–**	**–**	**152.8**	216.2	–	–	216.2
Cash and cash equivalents	**–**	**88.7**	**–**	**88.7**	–	105.7	–	105.7
	152.8	**88.7**	**1,315.5**	**1,557.0**	216.2	105.7	1,556.7	1,878.5
Financial liabilities								
Trade payables	**–**	**–**	**(1.3)**	**(1.3)**	–	–	(0.6)	(0.6)
Other accruals and deferred income	**–**	**–**	**(15.6)**	**(15.6)**	–	–	(18.1)	(18.1)
Borrowings	**(81.4)**	**–**	**–**	**(81.4)**	(40.8)	(11.0)	–	(51.8)
Carried interest plan liability	**–**	**–**	**(44.1)**	**(44.1)**	–	–	(33.1)	(33.1)
Deferred tax liability	**–**	**–**	**(6.8)**	**(6.8)**	–	–	(5.8)	(5.8)
Loans from Limited Partners of consolidated funds	**–**	**–**	**(19.5)**	**(19.5)**	–	–	(18.7)	(18.7)
Revenue share liability	**–**	**–**	**(13.0)**	**(13.0)**	–	–	(13.1)	(13.1)
	(81.4)	**–**	**(100.3)**	**(181.7)**	(40.8)	(11.0)	(89.4)	(141.2)

At 31 December 2022, if interest rates had been 1% higher/lower, post-tax loss for the year, and other components of equity, would have been £2.0m (2021: £1.4m) higher/lower as a result of higher interest received on floating rate cash deposits.

B) Liquidity risk

The Group seeks to manage liquidity risk, to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The Group's treasury management policy asserts that at any one point in time no more than 60% of the Group's cash and cash equivalents will be placed in fixed-term deposits with a holding period greater than three months. Accordingly, the Group only invests working capital in short-term instruments issued by reputable counterparties. The Group continually monitors rolling cash flow forecasts to ensure sufficient cash is available for anticipated cash requirements.

C) Credit risk

The Group's credit risk is primarily attributable to its deposits, cash and cash equivalents, debt investments and trade receivables. The Group seeks to mitigate its credit risk on cash and cash equivalents by making short-term deposits with counterparties, or by investing in treasury funds with an "AA" credit rating or above managed by institutions. Short-term deposit counterparties are required to have most recently reported total assets in excess of £5bn and, where applicable, a prime short-term credit rating at the time of investment (ratings are generally determined by Moody's or Standard & Poor's). Moody's prime credit ratings of "P1", "P2" and "P3" indicate respectively that the rating agency considers the counterparty to have a "superior", "strong" or "acceptable" ability to repay short-term debt obligations (generally defined as having an original maturity not exceeding 13 months). An analysis of the Group's deposits and cash and cash equivalents balance analysed by credit rating as at the reporting date is shown in the table opposite. All other financial assets are unrated.

Credit rating	2022 £m	2021 £m
P1	**177.4**	292.3
AAAMMF[1]	**54.6**	20.2
Other[2]	**9.5**	9.4
Total deposits and cash and cash equivalents	**241.5**	321.9

1 The Group holds £54.6m (2021: £20.2m) with JP Morgan GBP liquidity fund, which has a AAAMMF credit rating with Fitch.
2 The Group holds £9.5m (2021 £9.4m) with Arbuthnot Latham, a private bank with no debt in issue and, accordingly, on which a credit rating is not applicable. Bloomberg assess Arbuthnot Latham's 1-year default probability at 0.2107% (2021: 0.1401%).

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. The Group has detailed policies and strategies which seek to minimise these associated risks including defining maximum counterparty exposure limits for term deposits based on their perceived financial strength at the commencement of the deposit. The maximum single counterparty limit for fixed term deposits in excess of 3 months at 31 December 2022 was the greater of 60% of total group cash or £50.0m (2021: 60%, £50.0m). In addition, no single institution may hold more than the higher of 50% of total cash or £80m. (2021: 50%, £75m).

The group's exposure to credit risk on debt investments is managed in a similar way to equity investment price risk, as described above, through the Group's investment appraisal processes and asset monitoring procedures which are subject to overall review by the Board. The maximum exposure to credit risk for debt investments, receivables and other financial assets is represented by their carrying amount.

4. Revenue from services

Accounting Policy:

Revenue from services is generated primarily from within the United Kingdom and is stated exclusive of value added tax, with further revenue generated in the Group's Australian operations. Revenue is recognised when the Group satisfies its performance obligations, in line with IFRS 15. Revenue breakdown and disclosure requirements under IFRS 15 have not been presented as they are considered immaterial. Revenue from services and other income comprises:

Fund management services
Fund management fees include fiduciary fund management fees which are generally earned as a fixed percentage of total funds under management and are recognised as the related services are provided and performance fees payable from realisation of agreed returns to investors which are recognised as performance criterion are met.

Licence and royalty income
The Group's IP licences typically constitute separate performance obligations, being separate from other promised goods or services. Revenue is recognised in line with the performance obligations included in the licence, which can include sales–based, usage–based or milestone–based royalties.

Advisory and corporate finance fees
Fees earned from the provision of business support services including IP Exec services and fees for IP Group representation on portfolio company boards are recognised as the related services are provided. Corporate finance advisory fees are generally earned as a fixed percentage of total funds raised and recognised at the time the related transaction is successfully concluded. In some instances, these fees are settled via the issue of equity in the company receiving the corporate finance services at the same price per share as equity issued as part of the financing round to which the advisory fees apply.

Revenue from services is derived from the provision of advisory and venture capital fund management services or from licensing activities, royalty revenues and patent cost recoveries.

5. Operating segments

For both the year ended 31 December 2022 and the year ended 31 December 2021, the Group's revenue and profit before taxation were derived largely from its principal activities within the UK.

For management reporting purposes, the Group is currently organised into five operating segments:

i) Venture Capital investing within our Life Sciences thematic area
ii) Venture Capital investing within our Deeptech thematic area
iii) Venture Capital investing within our Cleantech thematic area
iv) Venture Capital investing: Oher, representing investments not included within our three thematic areas above, including platform investments, and our US and Australian investments
v) the management of third party funds and the provision of corporate finance advice

Following the implementation of the group's revised strategy, and the decision to formalise the split of the Group's investment activities into three thematic areas (Life Sciences, Deeptech and Cleantech), the Directors have concluded that it is no longer appropriate to aggregate the Group's venture capital investing activities into a single operating segment and have accordingly presented the three thematic areas as separate segments. Reporting line items within Venture Capital investing which are not allocated by thematic sector are presented in the 'Venture Capital investing: other' segment.

These activities are described in further detail in the strategic report	Venture capital investing: Life sciences	*Of which Oxford Nanopore*	Venture capital investing: Deeptech	Venture capital investing: Cleantech	Venture capital investing: Other	Third party fund management	Consolidated
Year ended 31 December 2022	£m	£m	£m	£m	£m	£m	£m
STATEMENT OF COMPREHENSIVE INCOME							
Portfolio return and revenue							
Change in fair value of equity and debt investments	(399.4)	(369.7)	(21.0)	114.6	2.4	–	(303.4)
(Loss)/gain on disposal of equity and debt investments	(12.1)	–	4.0	–	0.3	–	(7.8)
Change in fair value of limited and limited liability partnership interests					2.1	–	2.1
Loss on disposal of subsidiary	–	–	–	–	–	–	–
Revenue from services and other income					1.1	6.0	7.1
	(411.5)	(369.7)	(17.0)	114.6	5.9	6.0	(302.0)
Administrative expenses[1]							
Carried interest plan charge[1]					(12.0)	–	(12.0)
Share-based payment charge[1]					(2.6)	(0.3)	(2.9)
Other administrative expenses[1]					(22.1)	(5.3)	(27.4)
					(36.7)	(5.6)	(42.3)
Operating loss					(334.7)	0.4	(344.3)
Finance income[1]					2.1	0.1	2.2
Finance costs[1]					(1.4)	–	(1.4)
Loss before taxation					(344.0)	0.5	(343.5)
Taxation[1]					(1.0)	–	(1.0)
Loss for the year					(344.0)	0.5	(344.5)
STATEMENT OF FINANCIAL POSITION							
Assets	613.8	205.5	230.5	243.8	451.9	17.8	1,557.8
Liabilities[1]					(176.0)	(5.7)	(181.7)
Net Assets					1,364.0	12.1	1,376.1
Other segment items							
Purchase of debt & equity investments	(38.9)	(3.2)	(20.4)	(22.3)	(7.3)	–	(88.9)
Realisations	15.6	–	8.7	3.5	0.3	–	28.1

Notes to the consolidated financial statements – continued

Year ended 31 December 2021	Venture capital investing: Life sciences £m	*Of which Oxford Nanopore* £m	Venture capital investing: Deeptech £m	Venture capital investing: Cleantech £m	Venture capital investing: Other £m	Third party fund management £m	Consolidated £m
STATEMENT OF COMPREHENSIVE INCOME							
Portfolio return and revenue							
Change in fair value of equity and debt investments	319.9	284.8	47.0	30.4	18.6	–	415.9
Gain on disposal of equity investments	55.4	12.3	25.4	0.5	0.2	–	81.5
Change in fair value of limited and limited liability partnership interests					1.8	–	1.8
Loss on deconsolidation of subsidiary	–	–	–	–	(3.8)	–	(3.8)
Revenue from services and other income					5.7	7.9	13.6
	375.3	297.1	72.4	30.9	22.5	7.9	509.0
Administrative expenses[1]							
Carried interest plan charge[1]					(17.2)	–	(17.2)
Share-based payment charge[1]					(2.5)	(0.1)	(2.6)
Other administrative expenses[1]					(28.7)	(4.5)	(33.2)
					(48.4)	(4.6)	(53.0)
Operating profit					452.7	3.3	456.0
Finance income[1]					0.4	–	0.4
Finance costs[1]					(1.8)	–	(1.8)
Profit before taxation					451.3	3.3	454.6
Taxation[1]					(5.3)	–	(5.3)
Profit for the year					446.0	3.3	449.3
STATEMENT OF FINANCIAL POSITION							
Assets	1,005.1	572.0	250.3	100.9	505.8	17.2	1,879.3
Liabilities[1]					(137.4)	(3.8)	(141.2)
Net Assets					1,724.7	13.4	1,738.1
Other segment items							
Purchase of debt & equity investments	(52.2)	(18.7)	(6.7)	(11.9)	(32.9)	–	(103.7)
Realisations	167.7	84.1	41.7	2.8	1.2	–	213.4

1 These amounts cannot be apportioned to the individual segments of the venture capital investing business.

6. Auditor's remuneration

Details of the auditor's remuneration are set out below:

	2022 £000	2021[1] £000
Audit fees in respect of Group and subsidiaries, audited by KPMG LLP	**578.9**	398.3
Interim review fee, for review performed by Group auditor KPMG LLP	**60.0**	55.0
Audit fees in respect of Funds, audited by KPMG LLP	**15.0**	108.1
Audit fees in respect of subsidiary companies, audited by Moore Northern Home Counties Limited	**68.7**	62.0
Total assurance services	**722.6**	623.4
All other services performed by Group auditor KPMG LLP	**–**	5.0
Total non–assurance services performed by Group auditor KPMG LLP	**–**	5.0

The 2021 audit fee in respect of IPG Cayman LP included within Audit fees in respect of Funds above was pro–rated to reflects its de–consolidation in November 2021.

7. Operating profit

Operating profit/(loss) has been arrived at after charging:

	2022 £m	2021 £m
Depreciation of right of use asset, property, plant and equipment	**(0.6)**	(1.6)
Employee costs (see note 9)	**(20.0)**	(22.5)
Loss on disposal or deconsolidation of subsidiary (see note 22)	**–**	(3.8)

8. Other administrative expenses

Other administrative expenses comprise:

	2022 £m	2021 £m
Employee costs (less share-based payment charge)	**17.1**	19.9
Professional services	**4.0**	5.5
Consolidated portfolio company costs	**0.1**	0.1
Depreciation of tangible assets	**0.6**	1.6
Other expenses	**5.6**	6.1
	27.4	33.2

9. Employee Costs

Accounting Policy

Employee benefits

Pension obligations

The Group operates a company defined contribution pension scheme for which all employees are eligible. The assets of the scheme are held separately from those of the Group in independently administered funds. The Group currently makes contributions on behalf of employees to this scheme or to employee personal pension schemes on an individual basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due.

Share–based payments

The Group engages in equity–settled share–based payment transactions in respect of services receivable from employees, by granting employees conditional awards of ordinary shares subject to certain vesting conditions.

Conditional awards of shares are made pursuant to the Group's Long Term Incentive Plan ("LTIP") awards and/or the Group's Annual Incentive Scheme ("AIS"). The fair value of the shares is estimated at the date of grant, taking into account the terms and conditions of the award, including market–based performance conditions.

The fair value at the date of grant is recognised as an expense over the period that the employee provides services, generally the period between the start of the performance period and the vesting date of the shares. The corresponding credit is recognised in retained earnings within total equity. The fair value of services is calculated using the market value on the date of award and is adjusted for expected and actual levels of vesting. Where conditional awards of shares lapse, the expense recognised to date is credited to the statement of comprehensive income in the year in which they lapse.

Where the terms for an equity–settled award are modified, and the modification increases the total fair value of the share–based payment or is otherwise beneficial to the employee at the date of modification, the incremental fair value is amortised over the vesting period.

See the Directors' Remuneration Report and note 22 for further details.

Employee costs (including Executive Directors) comprise:

	2022 £m	2021 £m
Salaries	**11.6**	12.6
Defined contribution pension cost	**1.0**	1.0
Share–based payment charge (see note 23)	**2.9**	2.6
Other bonuses accrued in the year	**3.0**	4.8
Social security	**1.5**	1.4
Total staff costs	**20.0**	22.4

The average monthly number of persons (including executive directors) employed by the Group during the year was 99, all of whom were involved in management and administration activities (2021: 104). Details of the directors' remuneration can be found in the Directors' Remuneration Report.

10. Taxation

Accounting Policy:

Deferred tax
Full provision is made for deferred tax on all temporary differences resulting from the carrying value of an asset or liability and its tax base. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or deferred tax liability settled. Deferred tax assets are recognised to the extent that it is probable that the deferred tax asset will be recovered in the future.

	2022 £m	2021 £m
Current tax		
UK corporation tax on profits for the year	**–**	–
Foreign tax	**–**	0.1
	–	0.1
Deferred tax	**1.0**	5.2
Total tax	**1.0**	5.3

The Group primarily seeks to generate capital gains from its holdings in spin-out companies over the longer-term. The majority of these capital gains qualify for UK Substantial Shareholding Exemption (“SSE”) and are therefore not taxable, resulting in the Group making annual net operating losses from its operations from a UK tax perspective.

Gains arising on sales of holdings which do not qualify for SSE will ordinarily give rise to taxable profits for the Group, to the extent that these exceed the Group’s ability to offset gains against current and brought forward tax losses (subject to the relevant restrictions on the use of brought–forward losses). In such cases, a deferred tax liability is recognised in respect of estimated tax amount payable.

The amount for the year can be reconciled to the profit per the statement of comprehensive income as follows:

	2022 £m	2021 £m
(Loss)/profit before tax	**(343.5)**	454.6
Tax at the UK corporation tax rate of 19% (2021: 19%)	**(65.3)**	86.4
Expenses not deductible for tax purposes	**2.3**	3.3
Income not taxable	**1.5**	(15.4)
Prior year adjustment on deferred tax	**0.4**	0.1
Non–taxable income on deconsolidation of subsidiaries	**–**	0.1
Fair value movement on investments qualifying for SSE	**58.4**	(79.0)
Movement on share–based payments	**0.4**	0.4
Movement in tax losses arising not recognised	**2.9**	8.0
Rate change on deferred tax	**0.4**	1.4
Total tax charge	**1.0**	5.3

At 31 December 2022, deductible temporary differences and unused tax losses, for which no deferred tax asset has been recognised, totalled £278.7m (2021: £264.4m). An analysis is shown below:

	2022 Amount £m	2022 Deferred tax £m	2021 Amount £m	2021 Deferred tax £m
Accelerated capital allowances	**(0.5)**	**(0.1)**	(0.2)	(0.1)
Share–based payment costs and other temporary differences	**(15.5)**	**(3.9)**	(25.8)	(6.4)
Unused tax losses	**(262.7)**	**(65.7)**	(238.4)	(59.6)
	(278.7)	**(69.7)**	(264.4)	(66.1)

At 31 December 2022, deductible temporary differences and unused tax losses, for which a deferred tax asset/(liability) has been recognised, totalled £27.3m (2021: £23.7m). An analysis is shown below:

	2022 Amount £m	2022 Deferred tax £m	2021 Amount £m	2021 Deferred tax £m
Temporary timing differences	**79.7**	**19.9**	78.4	19.5
Unused tax losses	**(52.4)**	**(13.1)**	(54.7)	(13.7)
	27.3	**6.8**	23.7	5.8

11. Earnings per share

Earnings	2022 £m	2021 £m
Earnings for the purposes of basic and dilutive earnings per share	**(341.5)**	448.5

Number of shares	2022 Number of shares	2021 Number of shares
Weighted average number of ordinary shares for the purposes of basic earnings per share	**1,034,483,278**	1,059,547,189
Effect of dilutive potential ordinary shares:		
Options or contingently issuable shares	**–**	16,431,907
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**1,034,483,278**	1,075,979,096

	2022 pence	2021 pence
Basic	**(33.01)**	42.33
Diluted	**(33.01)**	41.68

No adjustment has been made to the basic loss per share in the year ended 31 December 2022, as the exercise of share options would have the effect of reducing the loss per ordinary share, and therefore is not dilutive.

Potentially dilutive ordinary shares include contingently issuable shares arising under the Group’s LTIP arrangements, and options issued as part of the Group’s Sharesave schemes and Deferred Bonus Share Plan (for annual bonuses deferred under the terms of the Group’s Annual Incentive Scheme).

12. Categorisation of financial instruments

Accounting policy:

Financial assets and liabilities

Financial assets and liabilities are recognised in the balance sheet when the relevant Group entity becomes a party to the contractual provisions of the instrument. De–recognition occurs when rights to cash flows from a financial asset expire, or when a liability is extinguished.

Derivative financial instruments are accounted for at fair value through profit and loss in accordance with IFRS 9. They are revalued at the balance sheet date based on market prices, with any change in fair value being recorded in profit and loss. Derivatives are recognised in the Consolidated statement of financial position as a financial asset when their fair value is positive and as a financial liability whey their fair value is negative. The Group's derivative financial instruments are not designated as hedging instruments.

Financial assets

In respect of regular way purchases or sales, the Group uses trade date accounting to recognise or derecognise financial assets.

The Group classifies its financial assets into one of the categories listed below, depending on the purpose for which the asset was acquired.

At fair value through profit or loss

Held for trading and financial assets are recognised at fair value through profit and loss. This category includes equity investments, debt investments and investments in limited partnerships. Investments in associated undertakings, which are held by the Group with a view to the ultimate realisation of capital gains, are also categorised as at fair value through profit or loss. This measurement basis is consistent with the fact that the Group's performance in respect of investments in equity investments, limited partnerships and associated undertakings is evaluated on a fair value basis in accordance with an established investment strategy.

Financial assets at fair value through profit or loss are initially recognised at fair value and any gains or losses arising from subsequent changes in fair value are presented in profit or loss in the statement of comprehensive income in the period which they arise.

At amortised cost

These assets are non–derivative financial assets with fixed and determinable payments that are not quoted in an active market. They arise principally through the provision of services to customers (trade receivables) and are carried at cost less provision for impairment.

Deposits

Deposits comprise longer–term deposits held with financial institutions with an original maturity of greater than three months and, in line with IAS 7 are not included within cash and cash equivalents. Cash flows related to amounts held on deposit are presented within investing activities in the consolidated statement of cash flows.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and short–term deposits held with financial institutions with an original maturity of three months or less.

Financial liabilities

Current financial liabilities are composed of trade payables and other short–term monetary liabilities, which are recognised at amortised cost.

Non–current liabilities are composed of loans from Limited Partners of consolidated funds, outstanding amounts drawn down from a debt facility provided by the European Investment Bank, loan notes provided by Phoenix Group, carried interest plans liabilities, and revenue share liabilities arising as a result of the Group's former Technology Pipeline Agreement with University College London.

Unless otherwise indicated, the carrying amounts of the Group's financial liabilities are a reasonable approximation to their fair value. Non–current liabilities are recognised initially at fair value net of transaction costs incurred, and subsequently at amortised cost.

Financial assets	At fair value through profit or loss £m	Amortised cost £m	Total £m
At 31 December 2022			
Equity investments	**1,120.8**	**–**	**1,120.8**
Debt investments	**38.1**	**–**	**38.1**
Limited and limited liability partnership interests	**99.6**	**–**	**99.6**
Trade and other receivables	**–**	**8.8**	**8.8**
Receivables on sale of debt and equity investments	**48.2**	**–**	**48.2**
Deposits	**–**	**152.8**	**152.8**
Cash and cash equivalents	**–**	**88.7**	**88.7**
At 31 December 2022	**1,306.7**	**250.3**	**1,557.0**
At 31 December 2021			
Equity investments	1,391.8	–	1,391.8
Debt investments	22.8	–	22.8
Limited and limited liability partnership interests	92.9	–	92.9
Trade and other receivables	–	6.9	6.9
Receivables on sale of debt and equity investments	42.3	–	42.3
Deposits	–	216.2	216.2
Cash and cash equivalents	–	105.7	105.7
At 31 December 2021	1,549.8	328.8	1,878.6

In light of the credit ratings applicable to the Group's cash and cash equivalent and deposits, (see note 3 for further details), we estimate expected credit losses on the Group's receivables to be under £0.1m and therefore not disclosed further (2021: less than £0.1m), similarly we have not presented an analysis of credit ratings of trade and other receivable and receivables on sale of debt and equity investments.

All net fair value gains in the year are attributable to financial assets designated at fair value through profit or loss on initial recognition (2021: all net fair value gains in the year are attributable to financial assets designated at fair value through profit or loss on initial recognition).

Interest income of £nil (2021: £nil) is attributable to financial assets classified as fair value through profit and loss.

13. Portfolio: Equity and debt investments

Accounting policy:

Fair value hierarchy

The Group classifies financial assets using a fair value hierarchy that reflects the significance of the inputs used in making the related fair value measurements. The level in the fair value hierarchy, within which a financial asset is classified, is determined on the basis of the lowest level input that is significant to that asset's fair value measurement. The fair value hierarchy has the following levels:

Level 1 – Quoted prices in active markets.
Level 2 – Inputs other than quoted prices that are observable, such as prices from market transactions.
Level 3 – One or more inputs that are not based on observable market data.

Equity investments
Fair value is the underlying principle and is defined as "the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date" (IPEV guidelines, December 2022).

Where the equity structure of a portfolio company involves different class rights in a sale or liquidity event, the Group takes these different rights into account when forming a view on the value of its investment.

Valuation techniques used
The fair value of unlisted securities is established using appropriate valuation techniques in line with December 2022 IPEV guidelines. The selection of appropriate valuation techniques is considered on an individual basis in light of the nature, facts and circumstances of the investment and in the expected view of market participants. The Group selects valuation techniques which make maximum use of market–based inputs. Techniques are applied consistently from period to period, except where a change would result in better estimates of fair value. Several valuation techniques

may be used so that the results of one technique may be used as a cross check/corroboration of an alternative technique.

Valuation techniques used include:

- Quoted bid price: The fair values of quoted investments are based on bid prices in an active market at the reporting date.
- Recent financing: The fair value of unquoted investments which have recently raised equity financing may be calculated with reference to the price of the recent investment. For investments for which the capital structure involves different class rights in a sale or liquidity event, a full scenario analysis via the use of the probability–weighted expected return method (PWERM) is used to calculate the implied values of the existing share classes.
- Other: Future market/commercial events: Scenario analysis is used, which is a forward–looking method that considers one or more possible future scenarios. These methods include simplified scenario analysis and relative value scenario analysis, which tie to the fully diluted ("post–money") equity value. The PWERM method may be utilised for this valuation technique for investments which have an equity structure which involves different class rights in a sale or liquidity event.
- Other: Adjusted recent financing price based on past performance: The milestone approach involves making an assessment as to whether there is an indication of change in fair value based on a consideration of the relevant milestones, typically agreed at the time of making the investment decision.
- Other: Discounted cash flows: deriving the value of a business by calculating the present value of expected future cash flows.
- Other: Revenue multiple: the application of an appropriate multiple to a performance measure (such as earnings or revenue) of the investee company in order to derive a value for the business.

The fair value indicated by a recent transaction is used to calibrate inputs used with valuation techniques including those noted above. At each measurement date, an assessment is made as to whether changes or events subsequent to the relevant transaction would imply a change in the investment's fair value. The Price of a Recent Investment is not considered a standalone valuation technique (see further considerations below). Where the current fair value of an investment is unchanged from the price of a recent financing, the Group refers to the valuation basis as 'Recent Financing'.

Price of recent investment as an input in assessing fair value
The Group considers that fair value estimates which are based primarily on observable market data will be of greater reliability than those based on assumptions. Given the nature of the Group's investments in seed, start–up and early–stage companies, where there are often no current and no short–term future earnings or positive cash flows, it can be difficult to gauge the probability and financial impact of the success or failure of development or research activities and to make reliable cash flow forecasts. Consequently, in many cases the most appropriate approach to fair value is a valuation technique which is based on market data such as the price of a recent investment, and market participant assumptions as to potential outcomes.

Calibrating such scenarios or milestones may result in a fair value equal to price of recent investment for a limited period of time. Often qualitative milestones provide a directional indication of the movement of fair value.

In applying a calibrated scenario or milestone-approach to determine fair value, consideration is given to performance against milestones that were set at the time of the original investment decision, as well as taking into consideration the key market drivers of the investee company and the overall economic environment. Factors that the Group considers include, inter alia, technical measures such as product development phases and patent approvals, financial measures such as cash burn rate and profitability expectations, and market and sales measures such as testing phases, product launches and market introduction.

Where the Group considers that there is an indication that the fair value has changed, an estimation is made of the required amount of any adjustment from the last price of recent investment.

Where a deterioration in value has occurred, the Group reduces the carrying value of the investment to reflect the estimated decrease. If there is evidence of value creation the Group may consider increasing the carrying value of the investment; however, in the absence of additional financing rounds or profit generation it can be difficult to determine the value that a market participant may place on positive developments given the potential outcome and the costs and risks to achieving that outcome and accordingly caution is applied.

Debt investments

Debt investments are generally unquoted debt instruments which are convertible to equity at a future point in time. Such instruments are considered to be hybrid instruments containing a fixed rate debt host contract with an embedded equity derivative. The Group designates the entire hybrid contract at fair value through profit or loss on initial recognition and, accordingly, the embedded derivative is not separated from the host contract and accounted for separately. The price at which the debt investment was made may be a reliable indicator of fair value at that date depending on facts and circumstances. Any subsequent remeasurement will be recognised as changes in fair value in the statement of comprehensive income.

Disclosure of unrealised and realised gains and losses

'Change in fair value of equity and debt investments' per the Group Income Statement represents unrealised revaluation gains and losses on the Group's portfolio of investment.

Gains on disposal of equity investments represents the difference between the fair value of consideration received and the carrying value at the start of the accounting period for the investment in question.

Changes in fair values of investments do not constitute revenue

Top 20 Equity and Debt Investments by holding value

The following table lists information on the 20 most valuable portfolio company investments, which represent 71% of the total portfolio value (2021: 75%). Detail on the performance of these companies is included in the Life Sciences, Deeptech and Cleantech portfolio reviews.

The Group engages third-party valuation specialists to provide valuation support where required; during the period we commissioned third-party valuations on nine out of the top 20 holdings (2021: three).

Company name	Primary valuation basis	Fair value of Group holding at 31 Dec 2022 £m
Oxford Nanopore Technologies plc	Quoted bid price	205.5
First Light Fusion Limited	*Adjusted funding	114.5
Istesso Limited	*DCF	95.6
Oxbotica Limited	Recent financing (< 12 months)	65.9
Featurespace Limited	*Revenue multiple	64.1
Hinge Health, Inc.	*Adjusted funding	53.6
Ultraleap Holdings Limited	*Adjusted funding	37.9
Garrison Technology Limited	*Future market/commercial events	27.7
Ieso Digital Health Limited	Recent financing (> 12 months)	21.8
Akamis Bio Limited	*Adjusted funding	21.3
Bramble Energy Limited	Recent financing (< 12 months)	20.9
Oxford Science Enterprises plc	Recent financing (< 12 months)	20.6
Crescendo Biologics Limited	Recent financing (< 12 months)	18.7
Hysata Pty Ltd	Recent financing (< 12 months)	18.7
Artios Pharma Limited	Recent financing (> 12 months)	18.3
Mission Therapeutics Limited	*Recent financing (> 12 months)	18.1
Nexeon Limited	Recent financing (< 12 months)	16.6
Salt Pay Co. Limited	*Adjusted funding	16.5
Microbiotica Limited	Recent financing (< 12 months)	16.1
Oxular Limited	Recent financing (> 12 months)	15.9
Total		**888.3**

* Third-party valuation specialists used for 31 December 2022 valuation. In these instances, the valuation basis is management's assessment of the primary valuation input used by the third-party valuation specialist.

	Level 1	Level 3		
	Equity investments in quoted spin–out companies £m	Unquoted equity investments in spin–out companies £m	Debt investments in unquoted spin–out companies £m	Total £m
At 1 January 2022	**662.7**	**729.1**	**22.8**	**1,414.6**
Investments during the year	**7.3**	**61.4**	**20.2**	**88.9**
Transaction–based reclassifications during the year	**–**	**8.4**	**(8.4)**	**–**
Other transfers between hierarchy levels during the year	**–**	**–**	**–**	**–**
Disposals during period	**(27.5)**	**(14.2)**	**–**	**(41.7)**
Fees settled via equity	**–**	**0.5**	**–**	**0.5**
Change in revenue share[1]	**–**	**–**	**–**	**–**
Change in fair value in the year[2]	**(416.0)**	**93.6**	**3.1**	**(319.3)**
Change in FX[2]	**2.2**	**13.3**	**0.4**	**15.9**
At 31 December 2022	**228.7**	**892.1**	**38.1**	**1,158.9**
At 1 January 2021	83.4	1,040.6	38.7	1,162.7
Investments during the year	4.8	89.7	9.2	103.7
Transaction–based reclassifications during the year	–	23.8	(23.8)	–
Deconsolidation of United States portfolio	–	(109.4)	(3.3)	(112.7)
Transfers from investment in Limited Partnership funds	–	3.5	–	3.5
Other transfers between hierarchy levels during the year	383.2	(383.2)	–	–
Disposals during period	(80.8)	(76.7)	(1.6)	(159.1)
Fees settled via equity	–	0.5	–	0.5
Change in revenue share[1]	–	0.1	–	0.1
Change in fair value in the year[2]	270.3	137.1	3.7	411.1
Change in FX[2]	1.8	3.1	(0.1)	4.8
At 31 December 2021	662.7	729.1	22.8	1,414.6

1 For description of revenue share arrangement see description in note 19.
2 The total unrealised change in fair value and FX in respect of Level 3 investments was a gain of £110.4m (2021: gain of £143.8m).

Unquoted equity and debt investment are measured in accordance with IPEV guidelines with reference to the most appropriate information available at the time of measurement. Where relevant, several valuation approaches are used in arriving at an estimate of fair value for an individual asset.

For assets and liabilities that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re–assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. Transfers between levels are then made as if the transfer took place on the first day of the period in question, except in the cases of transfers between tiers based on an initial public offering ("IPO") of an investment wherein the changes in value prior to the IPO are calculated and reported in level 3, and those changes post are attributed to level 1.

Transfers between level 3 and level 1 occur when a previously unquoted investment undertakes an initial public offering, resulting in its equity becoming quoted on an active market. In the current period, transfers of this nature amounted to £nil (2021: £383.2m). Transfers between level 1 and level 3 would occur when a quoted investment's market becomes inactive, or the portfolio company elects to delist. There have been no instances in the current year (2021: no such instances).

Transfers between level 3 debt and level 3 equity occur upon conversion of convertible debt into equity. In the current period, transfers of this nature amounted to £8.4m (2021: £23.8m).

The Group has considered the impact of ESG and climate change issues on its portfolio, including performing a materiality assessment (see TCFD disclosures) which suggested the Group's portfolio has a relatively low level of climate change risk, and clear areas of opportunity via the Group's Cleantech investments. To view the portfolio split by sector, please refer to the 'Overview of Portfolio and Business unit performance'. We believe our current valuation approach, based largely on quoted valuations, and recent financing transactions, reflects market participant assessment of the ESG and climate risks and opportunities of our portfolio.

Valuation inputs and sensitivities

Unobservable inputs are typically portfolio company-specific and, based on a materiality assessment, are not considered significant either at an individual company level or in aggregate where relevant for common factors such as discount rates.

The sensitivity analysis table below has been prepared in recognition of the fact that some of the valuation methodologies applied by the Group in valuing the portfolio investments involve subjectivity in their significant unobservable inputs. The table illustrates the sensitivity of the valuations to these inputs. The inputs of investments valued using techniques which involve significant subjectivity have been flexed by +/- 10%.

Valuation Technique	Fair value of investments	Variable inputs	Variable input sensitivity	Positive impact		Negative impact		Fair value of investments
	2022							2021
	£m		%	£m	% of NAV	£m	% of NAV	£m
Quoted	**228.7**	n/a	+/-10	22.9	1.7	(22.9)	(1.7)	662.7
Recent financing <12 months	**289.8**	n/a	+/-10	29.0	2.1	(29.0)	(2.1)	388.6
Recent financing >12 months	**117.8**	n/a	+/-10	11.8	0.9	(11.8)	(0.9)	71.6
Other: Future market/commercial events	**40.7**	• Estimated impact of future event • Execution risk discount applied to future event (where positive) • Scenario probabilities • Discount rates • Extent to which future event is indicative of facts and circumstances in existence at the balance sheet date	+/-10	4.1	0.3	(4.1)	(0.3)	39.5
Other: Adjusted recent financing price based on past performance*	**306.3**	• Company-specific milestone analysis	+/-10	30.6	2.2	(30.6)	(2.2)	147.4
Other: Revenue multiple*	**77.9**	• Estimate of future recurring revenues • Selection of comparable companies	+/-10	7.8	0.6	(7.8)	(0.6)	19.2
Other: DCF*	**97.7**	• Discount rate • Clinical trial and drug approval success rates • Estimate of value and structure of a potential pharmaceutical partnership • Estimate of addressable market • Market share and royalty rates • Probability estimation of liquidity event	+/-10	9.8	0.7	(9.8)	(0.7)	85.6
Total	**1,158.9**			**116.0**	**8.4**	**(116.0)**	**(8.4)**	**1,414.6**

*Due to the large number of inputs used in the valuation of these assets, unobservable inputs are below a size threshold that would warrant disclosure under IFRS 13, paragraph 93(d). Due to the large number of inputs, any range of reasonably possible alternative assumptions does not significantly impact the fair value and hence no valuation sensitivity is required under IFRS 13 paragraph 93(h)(ii).

Within the 'Other: DCF' category above is Istesso Limited, whose equity is valued at £80.8m as at 31 December 2022 (2021: £80.8m). Our estimated range for the value of the Group's equity investment in Istesso based on this DCF model as at 31 December 2022 is £65.0m to £105.0m (2021: £66.3m to £106.0m).

Within the 'Adjusted valuation' category above is First Light Fusion Limited, whose equity is valued at £114.5m as at 31 December 2022 (2021: £57.3m). The valuation of this company involves an assessment against comparable companies and involves certain key assumptions around their comparability and First Light's assumed maturity value. Our estimated range for the value of the Group's equity investment in First Light Fusion based on this model as at 31 December 2022 is £92.5m to £185.8m (2021: The company was valued based on a recent financing price).

In addition to Istesso Limited and First Light Fusion Limited, eight other assets were reviewed by external valuers. The aggregate of the range of valuations they concluded upon for these assets was £234.7m-£286.5m, and we have selected points within these ranges which in aggregate total £246.7m.

Change in fair value in the year	2022 £m	2021 £m
Fair value gains	183.3	479.0
Fair value losses	(486.7)	(63.1)
	(303.4)	415.9

The Company's interests in subsidiary undertakings are listed in note 10 to the Company's financial statements.

Currency risk

Exposure to currency risk through asset allocation, which is calculated by reference to the currency in which the asset or liability is quoted, is shown below.

At 31 December 2022

	Investments £m	Sensitivity +/- 1% £m
US dollar	102.2	1.0
Australian dollar	49.6	0.5
Euro	3.0	–
Swedish Krona	1.5	–
Total	**156.3**	**1.5**

At 31 December 2021

	Investments £m	Sensitivity +/- 1% £m
US dollar	139.0	1.4
Australian dollar	26.6	0.3
Euro	–	–
Total	**165.6**	**1.7**

14. Portfolio: Limited and limited liability partnership interests

Accounting Policy:

Valuations in respect of Limited and Limited Liability Funds are based on IP Group's share of the Net Asset Value of the fund as per the audited financial statements prepared by the fund manager. The key judgements in the preparation of these accounts relate to the valuation of unquoted investments.

Investments in these Limited and Limited Liability Partnerships are recognised at fair value through profit and loss in accordance with IFRS 9.

'Changes in fair value of Limited Partnership investments' per the Group Income Statement represents revaluation gains and losses on the Group's investment in Limited Partnership funds.

Fund interests are valued on a net asset basis, estimated based on the managers' NAVs. Manager's NAVs apply valuation techniques consistent with IFRS and are subject to audit (received in arrears of the publication of the Group's results hence marked as unaudited in the table below). Managers' NAVs are usually published quarterly, two to four months after the quarter end. The below table analyses the fund valuations with reference to manager NAV dates used at 31 December.

Limited & Limited Liability Partnerships	Functional currency	Status	**2022 £m**	2021 £m
IPG Cayman Fund L.P.	USD	Unaudited & Adjusted	**80.0**	72.6
UCL Technology Fund L.P.	GBP	Unaudited	**16.9**	17.7
Technikos LLP	GBP	Unaudited	**2.7**	2.6
Total			**99.6**	**92.9**

We reviewed the underlying valuation methodologies adopted by our Fund managers for all Fund investments of material value. In the Cayman Fund L.P. this includes two investments in which the Group also holds direct shareholdings outside the fund: MOBILion, Inc. and Carisma Therapeutics, Inc.

Following our review of valuation methodologies we were satisfied that the techniques utilised were appropriate, other than in one instance where our own valuation estimates resulted in a lower valuation. We have therefore adjusted the value of the Group's NAV in the IPG Cayman Fund L.P. to reflect this revised valuation, and bring it in line with the valuation applied to the Group's direct interest in the company.

Limited & Limited Liability Partnerships movements in year	£m
At 1 January 2022	92.9
Investments during the year	4.6
Distribution from Limited Partnership funds	–
Change in fair value during the year	8.5
Currency revaluation	(6.4)
At 31 December 2022	99.6
At 1 January 2021	22.2
Investments during the year	3.0
Distribution from Limited Partnership funds	(0.5)
Transfer to equity investments	(3.5)
Recognition of interest in IPG Cayman LP following deconsolidation (see notes 3 and 22)	69.7
Change in fair value during the year	1.8
At 31 December 2021	92.9

The Group considers interests in limited and limited liability partnerships to be level 3 in the fair value hierarchy throughout the current and previous financial years.

If the assumptions used in the valuation techniques for the Group's holding in each company are varied by using a range of possible alternatives, there is no material difference to the carrying value of the respective spin–out company. The effect on the consolidated statement of comprehensive income for the period is also not expected to be material.

24. Long–term incentive carry scheme – Carried interest plan liability

Accounting Policy:

The Group operates a number of Long Term Incentive Carry Schemes ("LTICS") for eligible employees which may result in payments to scheme participants relating to returns from investments.

Under the Group's LTICS arrangements, a profit–sharing mechanism exists whereby if a specific vintage delivers returns in excess of the base cost of investments together with an agreed hurdle rate, scheme participants receive a share of excess returns. Of the Group's total equity and debt investments, 66.6% are included in LTICS arrangements (2021: 44.8%).

The calculation of the liability in respect of the Group's LTICS is derived from the fair value estimates for the relevant portfolio investments and does not involve significant additional judgement (although the fair value of the portfolio is a significant accounting estimate). The actual amounts of carried interest paid will depend on the cash realisations of individual vintages, and valuations may change significantly in the next financial year. Movements in the liability are recognised in the consolidated statement of comprehensive income.

	2022 £m	2021 £m
At 1 January	**33.1**	19.3
Charge for the year	**12.0**	17.2
Payments made in the year	**(1.0)**	(3.4)
At 31 December	**44.1**	33.1

25. Related party transactions

The Group has various related parties arising from its key management, subsidiaries and equity stakes in portfolio companies.

A) Key management transactions

(i) Key management personnel transactions

The following key management held shares in the following spin–out companies as at 31 December 2022:

Director/ PDMR	Company name	Number of shares held at 1 January 2022	Number of shares acquired/ (disposed of) in the period	Number of shares held at 31 December 2022	%
Greg Smith	Alesi Surgical Limited	2	–	2	<0.1%
	Crysalin Limited[1]	149	–	149	<0.1%
	Diurnal Group plc[2]	15,000	(15,000)	–	0.00%
	EmDot Limited[1]	4	–	4	0.23%
	Istesso Limited – A Shares	313,425	–	313,425	0.28%
	Itaconix plc	4,500	–	4,500	<0.1%
	Mirriad Advertising plc	16,667	–	16,667	<0.1%
	Oxbotica Limited	8	–	8	<0.1%
	Oxford Nanopore Technologies plc	27,008	–	27,008	<0.1%
	Rio AI Limited[4]	144,246	–	144,246	<0.1%
	Surrey Nanosystems Limited	88	–	88	<0.1%
	Tissue Regenix Group plc	50,000	–	50,000	<0.1%
	Xeros Technology Group plc	13	–	13	<0.1%
David Baynes	Alesi Surgical Limited	4	–	4	<0.1%
	Arkivum Limited	377	–	377	<0.1%
	Creavo Medical Technologies Limited[1]	46	–	46	<0.1%
	Diurnal Group plc[2]	73,000	(73,000)	–	0.00%
	Mirriad Advertising plc	16,667	–	16,667	<0.1%
	Oxford Nanopore Technologies plc	2,784	–	2,784	<0.1%
	Ultraleap Holdings Limited	2,600	–	2,600	<0.1%
	Zeetta Networks Limited	424	–	424	0.11%
Mark Reilly	Actual Experience plc	28,000	–	28,000	<0.1%
	AudioScenic Limited	–	53	53	<0.1%

Director/ PDMR	Company name	Number of shares held at 1 January 2022	Number of shares acquired/ (disposed of) in the period	Number of shares held at 31 December 2022	%
	Bramble Energy Limited	16	–	16	<0.1%
	Diffblue Limited[3]	8,038	–	8,038	<0.1%
	Diurnal Group plc[2]	7,500	(7,500)	–	0.00%
	Itaconix plc	377,358	–	377,358	<0.1%
	Mirriad Advertising plc	66,666	–	66,666	<0.1%
	Oxbotica Limited	8	–	8	<0.1%
	Ultraleap Holdings Limited	1,700	–	1,700	<0.1%
Sam Williams	Accelercomm Limited	127	–	127	<0.1%
	Alesi Surgical Limited	1	–	1	<0.1%
	Centessa Pharmaceuticals plc	–	3,247	3,247	<0.1%
	Creavo Medical Technologies Limited[1]	23	–	23	<0.1%
	Diurnal Group plc[2]	113,819	(113,819)	–	0.00%
	Genomics plc	333	–	333	<0.1%
	Ibex Innovations Limited	1,701	–	1,701	<0.1%
	Istesso Limited	7,048,368	–	7,048,368	8.89%
	Microbiotica Limited	7,000	–	7,000	<0.1%
	Mirriad Advertising plc	3,333	–	3,333	<0.1%
	Oxbotica Limited	3	–	3	<0.1%
	Oxehealth Limited	33	–	33	<0.1%
	Oxford Nanopore Technologies plc	18,540	–	18,540	<0.1%
	Topivert Limited[1]	1,000	–	1,000	<0.1%
	Ultraleap Holdings Limited	558	–	558	<0.1%
Joyce Xie	Bramble Energy Limited	88	–	88	<0.1%
	Creavo Medical Technologies Limited[1]	21	–	21	<0.1%
	Istesso Limited	4,504	–	4,504	<0.1%
	Mirriad Advertising plc	4,839	–	4,839	<0.1%
	Ultraleap Holdings Limited	1,585	–	1,585	<0.1%
Lisa Patel	Alesi Surgical Limited	1	–	1	<0.1%
	Creavo Medical Technologies Limited[1]	23	–	23	<0.1%
	Diurnal Group plc[2]	37,500	(37,500)	–	0.00%
	Istesso Limited	3,477,833	–	3,477,833	4.39%
	Microbiotica Limited	3,000	–	3,000	<0.1%
	Mirriad Advertising plc	3,333	–	3,333	<0.1%
	Oxford Nanopore Technologies plc	9,453	–	9,453	<0.1%
	Topivert Limited[1]	1,000	–	1,000	<0.1%
	Ultraleap Holdings Limited	1,317	–	1,317	<0.1%
Elizabeth Vaughan-Adams	Amaethon Limited – Ordinary Shares[1]	2	–	2	<0.1%
	Amaethon Limited – A Ordinary Shares	8	–	8	<0.1%
	Amaethon Limited – B Shares	929	–	929	<0.1%
	Bramble Energy Limited – A Ordinary Shares	–	2	2	<0.1%
	Creavo Medical Technologies Limited[1]	23	–	23	<0.1%
	Crysalin Limited[1]	100	–	100	<0.1%
	Deep Matter Group plc	82,393	1,655,440	1,737,833	<0.1%
	Diurnal Group plc[2]	4,844	(4,844)	–	0.00%
	Emdot Limited[1]	3	–	3	<0.1%
	First Light Fusion Limited	77	–	77	<0.1%
	Istesso Limited – A Shares	218,448	–	218,448	0.19%
	Mirriad Advertising plc	4,941	–	4,941	<0.1%
	Oxford Nanopore Technologies plc	4,500	–	4,500	<0.1%
	Rio AI Limited[4]	2,258,185	13,986,014	16,244,199	<0.1%
	Surrey Nanosystems Limited	53	–	53	<0.1%
	Tissue Regenix Group plc	75,599	–	75,599	<0.1%
	Ultraleap Holdings Limited	400	–	400	<0.1%
Angela Leach	Amaethon Limited – Ordinary Shares[1]	2	–	2	<0.1%
	Amaethon Limited – B Shares	1,394	–	1,394	<0.1%

Director/ PDMR	Company name	Number of shares held at 1 January 2022	Number of shares acquired/ (disposed of) in the period	Number of shares held at 31 December 2022	%
	Amaethon Limited – A Ordinary Shares	12	–	12	<0.1%
	Alesi Surgical Limited	2	–	2	<0.1%
	AudioScenic Limited	–	53	53	<0.1%
	Barocal Limited	–	1,010	1,010	<0.1%
	Boxarr Limited	102	–	102	<0.1%
	Bramble Energy Limited	8	5	13	<0.1%
	Creavo Medical Technologies Limited[1]	23	–	23	<0.1%
	Crysalin Limited[1]	149	–	149	<0.1%
	Deep Matter Group plc	68,101	–	68,101	<0.1%
	Diffblue Limited	644	–	644	<0.1%
	Diurnal Group plc[2]	11,500	(11,500)	–	0.00%
	Emdot Limited[1]	4	–	4	0.23%
	Featurespace Limited	–	240	240	<0.1%
	First Light Fusion Limited	27	–	27	<0.1%
	Ieso Digital Health Limited – B2 Preferred Shares	29	–	29	<0.1%
	Istesso Limited – A Shares	322,923	–	322,923	0.28%
	Itaconix plc	4,500	–	4,500	<0.1%
	Mirriad Advertising plc	16,667	–	16,667	<0.1%
	Mixergy Limited	206	–	206	<0.1%
	Oxbotica Limited	3	–	3	<0.1%
	Oxford Nanopore Technologies plc	37,880	29	37,909	<0.1%
	OxONN Limited	–	20,000	20,000	<0.1%
	Rio AI Limited[4]	180,308	–	180,308	<0.1%
	Sunborne Systems Limited	–	2	2	<0.1%
	Surrey Nanosystems Limited	78	–	78	<0.1%
	Tissue Regenix Group plc	146,791	–	146,791	<0.1%
	Ultraleap Holdings Limited	500	–	500	<0.1%
	Xeros Technology Group plc	16	–	16	<0.1%
Chris Glasson	8Power Limited	400	–	400	<0.1%
	Audioscenic Limited	967	–	967	<0.1%
	Creavo Medical Technologies Limited[1]	105	–	105	<0.1%
	Istesso Limited	9,009	–	9,009	<0.1%
	Mirriad Advertising plc	8,064	–	8,064	<0.1%
	Oxbotica Limited	34	–	34	<0.1%
	Oxehealth Limited	328	–	328	<0.1%
	Topivert Limited – B2 Preferred Shares[1]	3,000	–	3,000	<0.1%
	Ultraleap Holdings Limited	1,585	–	1,585	<0.1%
Moray Wright	Mirriad Advertising plc	73,664	–	73,664	<0.1%
	OxSyBio Limited[1]	20	–	20	<0.1%
Anthony York	Diffblue Limited	–	179	179	<0.1%

1 Company being closed down.
2 Acquired by Neurocrine in November 2022.
3 Restated opening position.
4 Previously called Ditto AI Limited.

Updated policy for Executive Director holdings in Portfolio Companies

As described in in the Directors' Remuneration Report, a new policy for Executive Director shareholdings in portfolio companies was agreed during the year under which:

- New direct investments in portfolio companies by executive directors are prohibited, with the exception of the take-up of pre-emption rights which relate to existing portfolio company shareholdings. Both Mr Smith and Mr Baynes are covered by this policy.
- Mr Smith and Mr Baynes have voluntarily submitted to an additional binding condition such that any net proceeds received as a result of realisations from direct holdings in portfolio companies that exceed £250,000 will be used to purchase shares in IP Group, until such time as they meet the Minimum Shareholding Requirement set for their role (currently 350% of annual salary for Mr Smith, 250% for Mr Baynes).

(ii) Key management personnel compensation

Key management personnel compensation comprised the following:

	2022 £000	2021 £000
Short–term employee benefits[1]	3,918	4,016
Post–employment benefits[2]	99	72
Other long–term benefits	–	–
Termination benefits	–	–
Share–based payments[3]	1,374	1,325
Total	**5,391**	5,413

5 Represents key management personnel's base salaries, benefits including cash in lieu of pension where relevant, and the cash–settled element of the Annual Incentive Scheme.
6 Represents employer contributions to defined contribution pension and life assurance plans.
7 Represents the accounting charge for share–based payments, reflecting LTIP and DBSP options currently in issue as part of these schemes. See note 23 for a detailed description of these schemes.

B) Portfolio companies

(i) Services

The Group earns fees from the provision of business support services and corporate finance advisory services to portfolio companies in which the Group has an equity stake. Through the lack of control over portfolio companies these fees are considered arm's length transactions. The following amounts have been included in respect of these fees:

Statement of comprehensive income	2022 £m	2021 £m
Revenue from services	0.2	0.3

Statement of financial position	2022 £m	2021 £m
Trade receivables	–	0.2

(ii) Investments

The Group makes investments in the equity and debt of unquoted and quoted investments where it does not have control but may be able to participate in the financial and operating policies of that company. It is presumed that it is possible to exert significant influence when the equity holding is greater than 20%. The Group has taken the Venture Capital Organisation exception as permitted by IAS 28 and not recognised these companies as associates, but they are related parties. The total amounts included for investments where the Group has significant influence but not control are as follows:

Statement of comprehensive income	2022 £m	2021 £m
Net portfolio gains	75.0	56.5

Statement of financial position	2022 £m	2021 £m
Equity and debt investments	651.6	444.6

C) Subsidiary companies

Subsidiary companies that are not 100% owned either directly or indirectly by the parent company have intercompany balances with other Group companies totalling as follows:

	2022 £m	2021 £m
Intercompany balances with other Group companies	**2.1**	2.4

These intercompany balances represent funding loans provided by Group companies that are interest free, repayable on demand and unsecured.

26. Capital management

The Group's key objective when managing capital is to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure, and makes adjustments to it, in light of changes in economic conditions and the risk characteristics of its underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of issued share capital, issue or repay debt and dispose of interests in portfolio companies.

During 2022, the Group's strategy, which was unchanged from 2021, was to maintain an appropriate level of cash and short-term deposit balances in line with the Group's capital allocation plans, whilst having sufficient cash reserves to meet working capital requirements in the foreseeable future.

The Group has external borrowings with associated covenants that are described in note 19. These include covenants around the Group's minimum equity and maximum debt/equity ratio. Consideration is given to the level of headroom against these covenants as part of the Group's capital allocation process where planning corporate actions such as dividends and share buy-backs which have an impact on the headroom level.

27. Capital commitments

Commitments to Limited Partnerships

Pursuant to the terms of their Limited Partnership agreements, the Group has committed to invest the following amounts into Limited Partnerships as at 31 December 2022:

	Year of commencement of commitment	Commitment £m	Invested to date £m	Remaining commitment £m
IP Venture Fund II LP	2013	10.0	9.8	0.2
UCL Technology Fund LP	2016	24.8	22.4	2.4
IP Cayman LP	2021	8.3	8.3	–
Total		**43.1**	**40.5**	**2.6**

28. Dividends

	2022 pence per share	£m	2021 pence per share	£m
Ordinary shares				
Interim dividend	**0.50**	**5.3**	0.48	5.1
Final dividend	**0.72**	**7.4**	1.0	10.7
Dividends paid to equity owners in the financial year	**1.22**	**12.7**	1.48	15.8
Proposed final dividend at financial year end	**0.76**	**7.9**		

Of the £12.7m dividends paid in 2022, £12.3m was settled in cash and £0.4m was settled via the issue of equity under the Group's scrip programme (2021: £15.8m dividends, £15.0m settled in cash, £0.8m settled via the issue of equity).

The proposed final dividend was recommended by the Board of Directors on 7 March 2023 and is subject to the approval of shareholders at the 2023 AGM to be held on 15 June 2023. The proposed dividend has not been included as a liability as at 31 December 2022, in accordance with IAS 10 "Events after the reporting period". It will be paid on 22 June 2023 to shareholders who are on the register of members at close of business on 26 May 2023.

29. Alternative performance measures ("APM")

IP Group management believes that the alternative performance measures included in this document provide valuable information to the readers of the financial statements as they enable the reader to identify a more consistent basis for comparing the business' performance between financial periods and provide more detail concerning the elements of performance which the managers of the Group are most directly able to influence or are relevant for an assessment of the Group. They also reflect an important aspect of the way in which operating targets are defined and performance is monitored by the directors. These measures are not defined by IFRS and therefore may not be directly comparable with other companies' APMs, including those in the Group's industry. APMs should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measurements.

The directors believe that these APMs assist in providing additional useful information on the underlying trends, performance and position of the Group. Consequently, APMs are used by the directors and management for performance analysis, planning, reporting and incentive–setting purposes.

APM	Reference for reconciliation	Definition and purpose	Calculation	2022 £m	2021 £m
NAV per share[1]	Primary statements, note 21	NAV per share is defined as Net Assets divided by the number of outstanding shares. The measure shows net assets managed on behalf of shareholders by the Group per outstanding share. NAV per share is a standard measure used within our peer group and can be directly compared with the Group's share price.	NAV	**£1,376.1m**	£1,738.1m
			Shares in issue	**1,035,077,632**	1,040,754,160
			NAV per share	**132.9p**	167.0p
Return on NAV	Primary statements note 4	Return on NAV is defined as the total comprehensive income or loss for the year excluding charges which do not impact on net assets, specifically share–based payment charges. The measure shows a summary of the income statement gains and losses which directly impact NAV.	Total comprehensive income	**(344.0)**	449.6
			Excluding:		
			Share-based payment charge	**2.9**	2.6
			Return on NAV	**(341.1)**	452.2
Net portfolio gains	note 13, 15, 22	Net portfolio gains are defined as the movement in the value of holdings in the portfolio due as a result of realised and unrealised gains and losses. The measure shows a summary of the income statement gains and losses which are directly attributable to the Total Portfolio (see definition below), which is a headline measure for the Group's portfolio performance. This is a key driver of the Return on NAV which is a performance metric for directors' and employees' incentives.	Change in fair value of equity and debt investments	**(303.4)**	415.9
			Gain on disposal of equity investments	**(7.8)**	81.5
			Change in fair value of LP interests[2]	**2.1**	1.8
			Net portfolio gains	**(309.1)**	499.2
Total portfolio	Consolidated statement of financial position, note 13,14	Total portfolio is defined as the total of equity investments, debt investments and investments in LPs. This measure represents the aggregate balance sheet amounts which the Group considers to be its investment portfolio, and which is described in further detail within the portfolio review section of the strategic report.	Equity investments	**1,120.8**	1,391.8
			Debt investments	**38.1**	22.8
			LP interests	**99.6**	92.9
			Total Portfolio	**1,258.5**	1,507.5
Portfolio investment[3]	Primary statements	Portfolio investment is defined as the purchase of equity and debt investments plus investments into limited participation interests. This gives a combined measure of investment into the Group's portfolio]	Purchase of equity and debt investments	**(88.9)**	(103.7)
			Investment in limited and limited liability partnerships	**(4.6)**	(3.0)
			Portfolio investment	**(93.5)**	(106.7)

APM	Reference for reconciliation	Definition and purpose	Calculation	2022 £m	2021 £m
Net overheads	Financial review, note 8	Net overheads are defined as the Group's core overheads less operating income. The measure reflects the Group's controllable net operating "cash–equivalent" central cost base.	Other income	**7.1**	13.6
		Net overheads exclude items such as share–based payments and consolidated portfolio company costs.	Other administrative expenses	**(27.4)**	(33.2)
			Excluding:		
			Administrative expenses – consolidated portfolio companies	**0.1**	0.1
			Net overheads	**(20.2)**	(19.5)
Gross Cash and deposits	Primary statements	Cash and deposits is defined as cash and cash equivalents plus deposits.	Cash and cash equivalents	**88.7**	105.7
		The measures give a view of the Group's liquid resources on a short–term timeframe. The Group's Treasury Policy has a maximum maturity limit of 13 months for deposits.	Deposit	**152.8**	216.2
			Cash	**241.5**	321.9
(Loss)/profit excluding ONT[4]	Primary statements	Loss/profit excluding ONT is defined as the Groups (loss)/profit for the year (after tax) excluding the (loss)/profit on the investment held in Oxford Nanopore publicly quoted shares both realised and unrealised.	(Loss)/gain for the year	**(344.5)**	499.2
			Excluding:		
			Change in fair value of equity investment in Oxford Nanopore	**369.7**	(297.1)
			(Loss)/profit for the year	**25.2**	202.1

1 In prior years Hard NAV was used to measure performance, now due to the immaterial size of intangible assets this has been replaced by NAV as the most appropriate measure.
2 Following the deconsolidation of IPG Cayman LP, LP investments have been added to the definitions of Total Portfolio, and Net Portfolio Gains and a new APM Portfolio Investment has been created which aggregates investment into equity and debt investments with investments into LP funds, to give a measure reflecting total investment into the Group's portfolio.
3 The APM 'Net Realisations/Investments' used in prior years is no longer believed to represent a useful additional measure.
4 Given the size and volatility of the Group's holding in Oxford Nanopore, the directors believe that this new measure showing profit excluding fair value movements in Oxford Nanopore represents a useful additional measure for users of the accounts.

30. Post balance sheet events

As of the reporting date, unrealised fair value losses in respect of the Group's quoted portfolio totalled £26.2m, largely in respect of Oxford Nanopore Technologies plc, which has seen a fair value loss of £28.3m since 31 December 2022.