FOR RELEASE ON **10 March 2021**

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

Record returns and cash realisations, strong financial position, maiden dividend.

IP Group plc (LSE: IPO), the developer of intellectual property-based businesses, today announces its annual financial results for the year ended 31 December 2020.

Portfolio highlights

- Strong growth, realisations and ongoing investment
  - Fair value of portfolio: £1,162.7m (2019: £1,045.6m)
  - Net portfolio gains of £231.4m or approximately +22%[1] (2019: reduction of £43.9m)
  - 140% increase in cash realisations[2] to £191.0m (2019: £79.5m)
  - Sustained investment into portfolio: £67.5m (2019: £64.7m)
- Proving the model – from investment to exit
  - Total funds raised by portfolio companies £1.1bn (2019: £430m) including Oxford Nanopore (£162.1m), Hinge Health ($392m), Oxbotica (£27m), MobilION (£40m), Featurespace (£30m), Inivata ($25m).
  - Exited Ceres Power for £128m at seven times cost
- 20 years of impact investing – supporting world-changing businesses
  - Portfolio has created three 'unicorns': Oxford Nanopore, Ceres Power, Hinge Health
  - A number of our portfolio companies, most notably Oxford Nanopore, are actively involved in the response to COVID-19
  - Appointment of Prof. Gordon Clark as Chair of ESG Ethics Committee

Financial and operational highlights

- Hard NAV[3] £1,331.5m or 125.3 pence per share (2019: £1,141.5m or 107.8 pence per share)
- Net assets £1,331.9m (2019: £1,141.9m)
- Profit of £185.4m (2019: loss of £78.9m)
- Record positive Return on Hard NAV[3] of £189.5m or 17% (2019: -73.7m or -6%)
- Strong liquidity with gross cash and deposits at 31 December 2020 of £270.3m (2019: £194.9m) and net cash (gross cash and deposits less EIB debt) of £203.0m (2019: £112.4m)
- Recommended maiden dividend of 1pps, including scrip alternative

Post period-end update

- North American platform, IP Group, Inc., secured an additional $50.0m (£36.5m*) of funding, including $40.0m from a new US blue-chip institutional investor alongside $10m from IP Group.

Alan Aubrey, Chief Executive of IP Group, said: "IP Group made excellent progress in 2020, achieving both record returns and cash realisations totalling £191m. This financial strength, combined with the prospects in our maturing portfolio, gives us the confidence to recommend a maiden dividend of 1 pence per share.

We have great pride in the contribution of many of our companies to the response to COVID-19. The pandemic has focused attention on the importance of innovation of science, accelerating key thematic trends in health, digitisation, and the transition to net zero. We remain confident that IP Group is well positioned to benefit from both the increased focus and these thematic trends.

[1] 23% return on opening portfolio value of £1,045.6m

[2] Proceeds from sale of equity and debt investments per Group Cash Flow Statement

[3] Alternative performance measure, see note 29 for definition and reconciliation to IFRS primary statements

This year, as IP Group celebrates 20 years of generating innovation, we are excited about the prospects for the portfolio as well as the impact the Group can have from the renewed focus on innovation and sustainability. The current year has started strongly, with much activity in the portfolio including significant fundraisings, and we remain excited by the prospects for 2021."

Webinar

IP Group will host a webinar for analysts and investors today, 10 March, at 10:00am GMT. For more details or to register as a participant please visit https://www.ipgroupplc.com/events .

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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 x March 2021.

The financial information set out in this Annual Results Release does not constitute the company's statutory accounts for 2019 or 2018. Statutory accounts for the years ended 31 December 2020 and 31 December 2019 have been reported on by the Independent Auditor. The Independent Auditor's Reports on the Annual Report and Financial Statements for 2020 and 2019 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 2016 have been filed with the Registrar of Companies. The statutory accounts for the year ended 31 December 2020 will be delivered to the Registrar following the Company's annual general meeting.

The 2020 Annual Report and Accounts will be published in April 2021 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 which 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.

STRATEGIC REPORT

Chairman's summary

During 2020, focus and the maturity of the Group's portfolio drove record realisations and further valuation uplifts, substantially reducing the gap between our share price and net asset value per share.

Let me start, on behalf of all shareholders, by recognising and thanking the executive leadership team for their excellent stewardship of the Group in what was an unprecedented year of challenges. Consistent with the experience of most companies, 2020 was, for IP Group, a year in which the operating model was severely tested by the impact of the coronavirus pandemic. We came through that test well, largely due to the effective execution of detailed planning, designed to keep our staff both safe and fully equipped to continue to support our portfolio companies and engage with all our stakeholders. Our offices remained substantially closed from the first lockdown and continue to be so today. Our working practices were adapted to enable remote working, with the health and wellbeing of our staff our first priority. Their response was exceptional, demonstrating the flexibility and commitment needed to overcome the many restrictions facing them in order to support portfolio companies who were dealing with their own challenges.

In financial terms, 2020 was a highly successful year. For the second year in a row, cash realisations were at a record level, amounting to £191.0m (2019: £79.5m), driven principally by the disposal in stages of our investment in Ceres Power (Ceres) at an overall exit multiple of seven times the cash that we invested over the eight years we were shareholders. Ceres is, after Oxford Nanopore Technologies (ONT), the second so-called 'unicorn' (valuation in excess of US$1bn) to emerge from our portfolio.

Equally important, we generated a record net return on Hard NAV of £189.5m, or 17%, which we believe is a key metric in assessing our performance. It is hugely encouraging, after two years of net fair value losses, to see this position reverse. Notable within this performance is portfolio company Hinge Health which, in December, completed a US$300m capital raise. This valued the company at US$3bn, the third 'unicorn', generating a fair value uplift of £39.5m on our 2.4% shareholding.

As a consequence of all of the above, in 2020 we delivered a record pre-tax profit of £185.4m and ended the year with gross cash and deposit balances amounting to £270.3m. We raised no further capital during the year and invested £67.5 million in our portfolio companies out of the £1.1bn that they raised from all sources. Our cash resources at year end were well in excess of our expectations going into 2020 and, mindful of the continued maturation of a number of companies in our portfolio and the potential opportunities for future cash realisations, I am pleased to report that the Board is recommending a maiden dividend of 1p per share.

The success evidenced in 2020 goes well beyond financial success. The pandemic demonstrated convincingly the challenges facing the world that require science-based solutions. These most notably include current health priorities, but also encompass addressing the threats from climate change and challenges from society's expanding interface with a data driven world. We are encouraged by the Government's commitment to build UK competitiveness on the back of its science base, to support the 'green industrial revolution' and to review UK Listing Rules to enhance market opportunities for young growing companies. All of this plays well for our portfolio.

The Group's purpose of 'evolving great ideas into world changing businesses' and concentrating our investment towards companies aligned with the UN's Sustainable Development Goals ('SDGs') was a key factor in the value uplifts achieved in 2020. The maturity of our portfolio companies as they now begin to achieve meaningful commercial success on top of scientific recognition will, we believe, drive the financial success of the Group in the coming years.

Nowhere is this more evident than with respect to our largest portfolio holding, Oxford Nanopore, which is working with public health laboratories around the world on the COVID-19 pandemic. Oxford Nanopore broadened its appeal during 2020 by expanding its contribution within the COVID-19 diagnostic testing arena through its LamPORE platform. This testing approach benefits from being highly scalable and capable of being deployed in local environments as well as high throughput traditional laboratory settings, and so addresses the need for rapid routine testing of large numbers of people. LamPORE is currently being rolled out globally with initial use in the UK, Germany, Switzerland and the United Arab Emirates.

This combination of our focus on impactful, science-based businesses that can contribute to meeting the SDGs, the stock market's shift in emphasis towards ESG investing, together with the maturity and evident commercial success emerging from within our portfolio were key factors in the 39% rise in IP Group's share price during the year, from 71p to 98.9p, narrowing the discount to Hard NAV from 34% to 16%, a trend that I am pleased to say has continued into 2021. This year has seen further broadening of the Group's share register and I would like to welcome new shareholders as well as express our thanks to all shareholders who have supported the business over the long term.

There were, however, some disappointments in the year. We disposed of our investment in Avacta in April after many years of disappointing performance, shortly ahead of an unforeseen deal to use Avacta's technology to develop a COVID-19 test, which drove its share price materially higher. Parkwalk Advisors Ltd (Parkwalk), the market leader in university-focussed EIS funds, which the Group acquired in 2017 to reinforce the funding available to early-stage university spin-outs, saw its fundraising somewhat constrained compared to its expectations due to the impact of COVID-19. This notwithstanding, Parkwalk, with £350m of assets under management, remains the largest fund manager of its type in terms of money raised and in 2020 was recognised by the EIS Association as Best EIS Fund Manager of the year for the fourth consecutive year.

In spite of the constraints imposed by COVID-19 restrictions, the Board pursued a full agenda throughout the year with all meetings post March successfully held virtually. In addition to reviewing performance and business opportunities, the Board and its committees evaluated detailed proposals regarding enhancements to the Group's capital allocation policies, its organisational design, talent management including diversity and inclusion, employee engagement and succession planning for key roles. More details on these areas are covered later in the report.

There were no changes in Board composition during the year beyond the departure of Jonathan Brooks in March, which was reported in last year's Report and Accounts. After nearly nine years on the Board, including his time served on the Board of Touchstone Innovations plc, Professor David Begg, our senior independent director, will retire at this year's AGM. Aedhmar Hynes has been nominated to succeed David as senior independent director and I look forward to working with her in that role.

The year ahead looks challenging, with the economic environment likely to be highly dependent upon the successful rollout of vaccination programs across the world, thus facilitating a gradual easing of travel and work restrictions. Our focus on the development of science-based solutions to global challenges is, however, relatively advantaged, even protected, in this environment and we see continuing value to be built within and realised from the portfolio in the coming years.

One fresh area of possible future constraint relates to the recently announced proposals for a revised national security-based review of investments in the UK as well as similar 'foreign investment' regimes in the countries in which we operate. Given that the challenges our portfolio companies address are global, their potential markets and shareholder bases are similarly global. Legal analysis suggests the new UK regime could be more expansive than the current arrangements in terms of approvals required for equity interests above certain thresholds and thus we shall be monitoring the progress of the legislation through UK Parliament and making representations and submissions as necessary.

Let me close by extending on behalf of shareholders my sincere appreciation to our colleagues who have proven yet again their agility and commitment in support of our portfolio companies and to all our stakeholders who have found fresh ways to support and engage with us in order for us to deliver against our purpose.

Sir Douglas Flint
Chairman

9 March 2021

Our Business

Market environment

The year was dominated by the COVID-19 pandemic and the consequent humanitarian crisis and increased political and economic uncertainty. In addition significant geopolitical developments including the US/China trade war and the Brexit Agreement in the UK, increased the level of political and economic uncertainty.

The combination of these factors has led to a fast-changing environment with emerging, difficult-to-read and sometimes competing trends. The level of political and economic uncertainty has encouraged investors to be cautious and to retain strong liquidity, which is important to ensure that they are not disadvantaged by portfolio companies seeking to raise more capital earlier than might otherwise be the case. During 2020 IP Group also acted to ensure that we maintained a strong level of liquidity.

However, investors have also been looking toward sectors and companies likely to emerge stronger in a post-pandemic world. This trend has generated strong interest in companies involved in several areas, for example, the transition to net zero, the accelerated digitisation of economies and building resilience into health systems, particularly around protection against future pathogens.

The pandemic also sparked a bounce-back in the relative strength of public markets compared to private markets with companies using the markets to access capital. IP Group's quoted portfolio also benefitted from this trend with several portfolio companies carrying out placings in the year.

Purpose: evolving great ideas into world-changing businesses

The purpose of IP Group is to evolve innovation in scientific research (or ideas) into world-changing businesses – businesses that make a positive impact on the environment and society alongside an attractive financial return. We do this by providing the access to capital and support that scientific innovators and entrepreneurs need to navigate the tricky journey from idea to scale-up and impact. The problem we address is the difficulty that these businesses experience in accessing the capital they need to make this journey. The risks are substantial and the timelines often long, and these factors combined make it difficult for many investors to back these ideas. By funding these opportunities through an 'evergreen' structure, such as a plc balance sheet, that can 'follow its money' through to scale-up, we can mitigate these risks and help create impactful companies that, over the medium-to-long run, can generate attractive financial returns.

Vision

Our vision is an ever-growing alumnus of self-sustaining, successful impact companies that IP Group helped create and sustain. Companies which are achieving a positive and measurable impact on society alongside a financial return. Our performance will be measured by financial returns and non-financial impact measures.

Business model

Our business model is to acquire equity holdings in these companies, grow the value of those holdings over-time, before selling down in whole or over a period of time in order to generate the funds to ensure the ongoing sustainability of the company.

Strategy

Our strategy is to operate separate business units that focus either on a key sector or geography. Our key sectors are Life Sciences, Deeptech and Cleantech. Our key geographies are the UK, the US and Australia and New Zealand. The objective of the sector-focused business units is to leverage their sector expertise to find, invest in and support a focused portfolio of start-up companies that address critical challenges in their sectors. The objective of our country-focused business units in the UK, the US and Australia and New Zealand is to create and support university spin-out companies in their respective countries. We have a nascent China business unit whose objective is to provide market access expertise to Group portfolio companies and to access third-party capital where this is additive to our portfolio companies. We also operate a cross-country and sector fund, which is called Strategic Opportunities. The principal asset in this fund is our holding in Oxford Nanopore. Due to its size and significance to the Group, this asset is managed directly by the Chief Executive with assistance from the leadership team. In this fund we also have some smaller holdings in companies that operate in a similar way to IP Group but focus on a specific university, such as Oxford, Cambridge or UCL. These assets give us the opportunity to invest alongside these companies in spin-outs from those universities. We also operate support functions in capital markets, legal and executive search that provide cross-fund or sector expertise in a particular aspect of business building.

IP Group's key differentiators

- **International, balanced portfolio:** Our combination of geographies and sectors achieves balance between diversity and focus. It diversifies the geopolitical risk that would arise from focusing on one country whilst ensuring that we have exposure to major thematic trends arising from innovation in scientific research. This balance also helps us build and maintain an international shareholder and co-investor network.
- **Access to intellectual capital:** We have deep and broad relationships with scientific innovators in all the countries and sectors we operate in. These networks provide us with significant opportunities to access disruptive innovative ideas.
- **Business building:** The Group actively supports the development of its portfolio companies through access to early-stage business-building expertise, interim executive support, technical and commercial networks and board-level recruitment and development in addition to the provision of capital. The Group also provides operational, legal, and business support to its companies.
- **Access to financial capital:** Investing from our balance sheet capital is a significant advantage compare to fixed life funds as it means that we are not obliged to sell assets by a specific date to liquidate the fund. This is important because our companies tend to progress in a non-linear manner and it is very difficult to judge the timing of rapid value accretion. In the UK, the Group also considers tax-advantaged Enterprise Investment Scheme ("EIS") funds to be an important source of financing for early-stage technology companies and has seen strong operating performance from its subsidiary, Parkwalk, the UK's largest EIS growth fund manager focused on university spin-outs, which links leading institutional wealth managers and university partners.
- **An impactful purpose:** There is a strong natural alignment between scientific research, the commercialisation of such research and impact. In recent years we have articulated this through the strength of alignment between our portfolio with the UN's Sustainable Development Goals ('SDGs'). We have focused on improving our performance on broader ESG issues including establishing an independently chaired ethics committee, adhering to responsible investor principles and developing an approach to identify and measure the most important ESG factors for our business.

Chief Executive's Operational review

Innovation generation: 20 years of IP Group

Context

In 2020 the COVID-19 pandemic caused the biggest global economic contraction since the Great Depression and the sharpest fall in equity markets since 1987. The pandemic enveloped the entire world, changing it permanently and led to terrible loss of life and human suffering, but it has also transformed the way we live, work, learn, access healthcare, and much more.

The pandemic has also presented the world with a glimpse of what being unprepared for an existential crisis might look like – a stark reminder of our fragility – and this has driven increased interest in tackling the global threat of climate change.

It has also amplified existing inequalities in our society including systemic racism, gender inequality, and poverty, causing all businesses to examine their role in the societies and communities of which they are a part.

Against this backdrop, all businesses have scrambled to react to fast-changing events, in the short-term prioritising the health and safety of employees and business continuity, whilst at the same time reflecting on their purpose, positioning and strategy and how to adapt to a post-pandemic world.

This release sets out how IP Group responded to this rapidly evolving environment and how we are positioned for this new environment.

Response to COVID-19

The Group reacted quickly to unfolding events, prioritising the health and wellbeing of colleagues, and ensuring our day-to-day operations were able to continue. Most colleagues continue to operate effectively and remotely, and we have increased our wellbeing offering to support those in need. I would like to take this opportunity to place on record our appreciation for the dedication, professionalism, and resilience of colleagues during this difficult period.

The Group also prioritised supporting the efforts taken by our portfolio companies to mitigate the potential impacts of the pandemic on their businesses. Some of these companies have accessed COVID-19-related support, including convertible loans from the Future Fund in the UK and loans under the CARES Act in the US. At the IP Group level, we did not furlough any of our team, nor access any of the UK Government support schemes.

Scientific innovation has proved to be a vital weapon in the world's response to COVID-19 and some of the companies that the Group has backed and supported over the last twenty years have played critical roles in this response. This contribution has exemplified the importance of backing innovation in science over the long-term.

An example of a company making such a contribution is Oxford Nanopore, which has provided the tools for an unprecedented global epidemiological effort to sequence and monitor the evolution of the virus. We are proud of this contribution and that of other companies backed by IP Group, both past and present, including Abingdon Health, Avacta, Chip Diagnostics, Ieso Digital Health, Mobilion, Navenio, Optimeos, Oxehealth, Synairgen and many more.

Purpose, vision, business model and strategy

IP Group was established in 2001 – we celebrate our 20th anniversary in 2021 - with a purpose to evolve innovation in scientific research into world-changing businesses – businesses that make a positive impact on the environment and society alongside an attractive financial return.

We provide the capital and support that scientific innovators and entrepreneurs need to navigate the tricky journey from idea to scale-up and impact. These businesses find it difficult to access capital because the risks are substantial and the timelines often long. By funding these opportunities through an 'evergreen' structure, such as a plc balance sheet, that can 'follow its money' through to scale-up, we can mitigate these risks and help create impactful companies that, over the medium-to-long run, can generate attractive financial returns.

Our vision is an ever-growing alumnus of self-sustaining, successful impact companies that IP Group helped create and sustain, companies that are achieving a positive and measurable impact on society alongside a financial return.

Our business model is to acquire equity stakes in these companies, grow the value of those holdings over time, before selling down in whole or over a period of time in order to generate the funds to ensure the ongoing sustainability of the Group.

Our strategy is to operate separate Business Units that focus either on a key sector or key geography. Our key geographies are the UK, the US, Australia and New Zealand, and China. Our key sectors are Life Sciences, Deeptech and Cleantech. This combination of geographies and sectors achieves an attractive balance between diversity and focus. It diversifies the geopolitical risk that would arise from focusing on one country whilst ensuring that we have exposure to major thematic trends arising from innovation in scientific research.

Financial Results

Against this context, IP Group has shown exceptional resilience and agility. The Group has returned to growth and profit this year with a record net Return on Hard NAV of £189.5m in 2020 (FY19: negative £73.7m). In addition, the Group again achieved record cash realisations totalling £191.0m compared with £79.5m a year earlier and finishes the year with £203.0m of net cash. IP Group is well-financed with gross cash and deposits of £270.3m.

Overview of Fund and Business unit performance

The performance of our Funds and Business Units is summarised below:

	Invested	Realisations	Net Portfolio Gains/(losses)	FV as at 31 December 2020	Simple return on capital %
Strategic Opportunities	£3.0m	£29.3m	£83.2m	£370.6m	29%
Life Sciences	£30.2m	£22.7m	£85.1m	£392.5m	27%
Deeptech	£8.7m	£4.9m	£6.6m	£212.5m	3%
Cleantech	£10.0m	£131.4m	£54.2m	£58.8m	44%
North America	£9.4m	-	£4.7m	£64.5m	6%
Australia and New Zealand	£3.4m	-	£0.3m	£7.3m	8%
Organic and De minimis	-	£2.7m	(£2.2m)	£11.9m	(13%)
Total Portfolio	**£64.7m**	**£191.0m**	**£231.9m**	**£1,118.1m**	**23%**
Attributable to third parties	*£2.8m*	*-*	*(£0.5m)*	*£44.6m*	*(2%)*
Gross Portfolio	*£67.5m*	*£191.0*	*£231.4m*	*£1,162.7m*	*22%*

Strategic Opportunities
The portfolio saw Net Portfolio Gains of £83.2m during 2020, representing a simple return on opening portfolio fair value of 29%.

The principal asset in the Strategic Opportunities fund is Oxford Nanopore, the Group's most valuable holding. Oxford Nanopore has had a very strong year, with management confirming in October 2020 that overall revenues to date were in line with their targeted significant year on year growth. In addition, the company developed a new diagnostics business unit, OND, which launched LamPORE, a rapid, scalable diagnostic for SARS-COV-2, the company's first regulatory approved diagnostic product. The company was successful in winning contracts with a total value in excess of £110m for LamPORE from the UK Government. During the year, the company raised £162.1m of new capital from both existing and new investors.

Our valuation of Oxford Nanopore at 31 December 2020 reflects several factors including the company's strong performance in 2020, which is described above, and evidence of strong investor interest in the company. In terms of financing, we considered recent investment offers received by the company, and the potential impact and timing of an IPO. As a result, we have concluded on a fair value of £340.3m for the Group's 15.0% undiluted shareholding, an increase of 29% during the year, resulting in an unrealised fair value gain of £76.5m.

Life Sciences
The portfolio saw Net Portfolio Gains of £85.1m during 2020, representing a simple return on opening portfolio fair value of 27%.

The Life Science Business Unit benefitted from a number of positive events in the year, including the evolution of IP Group's third 'unicorn', Hinge Health, Inc, a digital clinic for back and joint pain for employers and health plans. Hinge Health, which was founded in Oxford in 2012, completed a \$300m (~£225m) Series D investment round valuing the company at approximately \$3bn (~£2.2bn) and IP Group's 2.4% stake at £42.1 million.

Deeptech
The portfolio saw Net Portfolio Gains of £6.6m during 2020, representing a simple return on opening portfolio fair value of 3%.

The Deeptech portfolio saw notable successes including at its highest value holding, Featurespace, which raised £30m in a funding round led by Merian Chrysalis Investment Company in May, and at WaveOptics, which now counts eight of the world's top ten tech and social media companies as customers.

Cleantech
The portfolio saw Net Portfolio Gains of £54.2m during 2020, representing a simple return on opening portfolio fair value of 44%.

During the year we realised our entire holding in Ceres Power with the £128.0m proceeds representing a multiple of seven times cost. This exit, achieved at a company valuation of approximately £1 billion, exemplifies the Group's long-term approach, having initially invested in Ceres in 2012 at a valuation of less than £1 million. It has been a privilege to work with the Ceres team over the years and we are immensely proud of the company's achievements.

Looking forward, our Cleantech team has mapped out the key technologies which it believes represent the best venture-backed opportunities on the transition to net zero and during 2021 we will explore the most appropriate structures to provide the capital needed to progress these opportunities.

North America (IP Group, Inc.)
The portfolio saw Net Portfolio Gains of £4.7m during 2020, representing a simple return on opening portfolio fair value of 6%.

IP Group Inc's portfolio continued to make significant progress with several large portfolio funding rounds closing including a $35.0m round for MOBILion Systems and a $47.0m round for Carisma Therapeutics. Following the year end, IP Group Inc. secured an additional $50.0m of funding, comprising $40.0m from a new US blue-chip institutional investor alongside $10.0m from IP Group plc. As a result, the Group now has a 61.3% interest in the North American platform.

Australia and New Zealand (IP Group Pty Ltd)
The portfolio saw Net Portfolio Gains of £0.3m during 2020, representing a simple return on opening portfolio fair value of 8%.

In Australia and New Zealand, the Group continued to make significant progress on the solid foundation of its partnerships with the Group of Eight and the University of Auckland. Investments were completed into four new companies bringing the portfolio to a total of twelve companies.

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 over £400m in third party capital across our Parkwalk, US, UK and Australian business units.

Parkwalk, the Group's specialist EIS fund management subsidiary, now has assets under management of £350m (FY19: £300m) including alumni funds managed in conjunction with the universities of Oxford, Cambridge, Bristol and Imperial College London. Parkwalk has now managed the largest EIS fund (by monies raised) and won the EIS Association's 'Best EIS Fund Manager' for each of the last four years.

While the impact of Covid-19 on global capital markets resulted in somewhat slower progress in attracting further third-party managed funds, we continue to progress a number of potential opportunities to further grow funds managed or advised during 2021.

Impact and ESG

There is a strong natural alignment between the Group's purpose and impact. In recent years we have articulated this by assessing the impact of our portfolio against the UN's Sustainable Development Goals ('SDGs') and have also focused on improving our performance on broader ESG issues, for example:

- We established an Ethics Committee, chaired by Professor Gordon Clark, Senior Consultant and Emeritus Professor of the Smith School of Enterprise and the Environment, Oxford University.
- We completed a materiality assessment. The materiality assessment highlighted governance, stewardship practices and responsible investment processes as key material factors for IP Group. It also enabled the Group to identify an employee-focused non-financial KPI that has been included in this year's Annual Report for the first time.
- We have started preparing to report against new frameworks, such as TCFD, the Taskforce on Climate-related Financial Disclosures.

In addition, a particular focus this year has been how to achieve greater inclusion and diversity in the Group's Senior Leadership Team.

As described in last year's report, the Group currently operates a unitary board comprising the four Executive Directors, two Observers, five Independent Non-Executives and a Chair.

In line with the commitments given in last year's Annual Report, the Group has now established an Executive Committee (ExCo), with responsibility for the day-to-day management of the Company. The composition of the ExCo has been designed to ensure a greater level of diversity of thought. An important element of this is the creation of two 'Employee Executive' roles on the ExCo. All employees shall be entitled to apply for these roles and diversity and inclusion will be key criteria in selecting the successful candidates. We anticipate making our first Employee Executive appointments in H1 2021.

Members of ExCo who are not members of the Board will be invited to attend all or parts of Board Meetings on a regular basis. Following the establishment of the ExCo, the Board will now review the size and composition of the Board itself with the objective of reducing its size and cost whilst ensuring that it continues to comprise a majority of suitably qualified non-executives. It is anticipated that this process will commence during 2021.

Further detailed information on Impact, ESG and on the alignment of our portfolio with the UN's Sustainable Development Goals will be provided in our Annual Report and Accounts.

Development of our capital allocation framework and total shareholder returns
A continuing trend in the Group's development, as exemplified by record portfolio cash realisations during both 2020 and 2019, has been the maturation of a number of focus assets in our portfolio. As a result, we have discussed our approach to evolving the IP Group shareholder value proposition with a wide range of stakeholders during 2020.

The Board recognises that share price volatility and the discount / premium to Hard NAV per share has been a major issue to shareholders over the years. As a result, in considering the application of our Capital Allocation Policy and the liquidity and maturity of the portfolio, the Board intends to seek approval from shareholders to undertake purchases in the Company's shares, specifically where the shares are trading below Hard NAV per share. Any decision to repurchase shares would be undertaken in light of other potential opportunities to deploy capital for the benefit of stakeholders and will be subject to regular review.

To give the flexibility to be able to implement this strategy, the Directors will seek the relevant authorities from shareholders at the forthcoming Annual General Meeting. The Directors will seek shareholders' approval to renew the authority to purchase up to 10.0 per cent. of the Ordinary Shares in issue from the date of grant of the authority to the date of the Annual General Meeting in 2022. Such purchases will only be made at a discount to the prevailing Hard NAV per share. Any such shares that are bought back may be held in treasury and may subsequently then either be sold for cash or cancelled.

Dividend policy

The increasing maturity and level of realisations from the Group's portfolio, as described above, alongside a continued strong liquidity position, has led the Board to update its dividend policy. I am therefore pleased to announce that the Board is recommending a final dividend of 1p per share, to be approved at the Company's forthcoming AGM.

The Board continues to consider that shareholder returns will primarily be driven by long-term capital appreciation and that regular income through dividends will remain a very small component of the total return. However, the Board considers that the business model has reached a sufficient stage of maturity that a modest but growing dividend should form part of the overall shareholder value proposition. Consistent with this approach, and subject to shareholder approval at the 2021 AGM, the Board also proposes to introduce an optional scrip dividend programme, allowing shareholders to choose to receive dividends in the form of newly issued, fully paid shares in IP Group plc in lieu of cash.

Further, should the Group make realisations that are very significant, of a one-off nature and/or result in cash in excess of short-to-medium term requirements, the Directors would intend to discuss with major shareholders an appropriate approach to distributing this excess on a case-by-case basis as part of its ongoing dialogue with this important stakeholder group.

Outlook

The pandemic has shone a light on the importance of innovation in science. It has also turbo-charged existing key thematic trends – for example advances in biology, digitisation, and the transition to net zero. Our strategy of backing scientific innovation across key sectors and geographies over the long-term means the Group is very well positioned to benefit from both the increased focus and these thematic trends.

The current year has started with much activity including fundraisings from some portfolio companies as well as from our North American business which has raised significant funding.

We finished the year in a strong financial position and with a maturing and high-potential portfolio. This year, as IP Group celebrates 20 years of generating innovation, we are excited about the prospects for the portfolio as well as the impact the Group can have from the renewed focus on innovation and sustainability.

Alan Aubrey

Chief Executive Officer

9 March 2021

PORTFOLIO REVIEW

Our portfolio: Substantial realisations and significant portfolio progression

Overview

As at 31 December 2020, the value of the Group's portfolio was £1,162.7m (2019: £1,045.6m) reflecting net divestment offset by net portfolio gains of £231.4m (2019: loss £43.9m). The portfolio consists of interests in 43 'focus' companies, representing 84% of the portfolio value, and 88 other companies (2019: 57, 87%, 75). Of these, 92 are based in the UK, 27 in the US and 12 in Australasia (2019: 101, 23, eight). In addition, the Group has 42 de minimis holdings and 35 organic holdings. (2019: 49, 40).

The Group exited its interest in four companies (2019: eight) and realised total cash proceeds during the year of £191.0m (2019: £79.5m). This figure includes £22.0m of cash from the Group's partial realisation of its holding in Oxford Nanopore Technologies Limited in 2019, and £3.5m of deferred consideration received relating to realisations from other portfolio companies in previous years. The largest contributor to cash realisations in the year was the Group's realisation of its full stake in Ceres Power Holdings plc for proceeds of £128.0m. The Group also realised its full holding in Concirrus Limited (£4.3m) and Avacta Group plc (£5.1m), and partially realised its holdings in Enterprise Therapeutics Limited (£15.4m) and Oxford Sciences Innovation plc ('OSI', £7.3m). Deferred consideration of £15.0m was outstanding at year end (2019: £5.3m), predominantly relating to the Group's partial realisation of Enterprise Therapeutics Limited.

During the year to 31 December 2020, the Group provided pre-seed, seed and post-seed capital totalling £67.5m to its portfolio companies (2019: £64.7m). The Group deployed capital into seven new companies and three new pre-incorporation projects during the year (2019: ten, six). Two of the companies were sourced from the UK, one from the US and four from Australasia (2019: two, two, six), and the three pre-incubation projects were sourced from the US (2019: six, US).

Performance summary

A summary of the Income Statement gains and losses that are directly attributable to the portfolio is as follows:

	2020 £m	2019 £m
Unrealised gains on the revaluation of investments	**224.8**	86.3
Unrealised losses on the revaluation of investments	**(71.3)**	(154.6)
Effects of movement in exchange rates	**(4.6)**	(2.3)
Change in fair value of equity and debt investments	**148.9**	(70.6)
Gain on disposals of equity investments	**82.5**	16.1
Gain on deconsolidation of subsidiary	**-**	10.6
Net portfolio gains/(losses)	**231.4**	(43.9)

The largest contributors to unrealised gains on the revaluation of investments were Oxford Nanopore Technologies Limited (£76.5m) Hinge Health Inc. (£39.5m), AIM-quoted Diurnal Group plc (£12.3m), Apcintex Limited (£11.0m), Wave Optics (£10.0m), AIM-quoted Mirriad Advertising plc (£9.8m), Inivata Limited (£7.0m), Featurespace Limited (£6.4m) and Artios Pharma Limited (£6.4m). These unrealised gains were partially offset by unrealised losses on the revaluation of Autifony Therapeutics Limited (£8.4m), Yoyo Wallet Limited (£6.7m), Creavo Medical Technologies Limited (£6.2m), Econic Technologies Limited (£5.4m) and Garrison Technology Limited (£5.2m).

The majority of the £82.5m realised gains on the sale of investments relates to the sale of the Group's full holding in AIM-quoted Ceres Power Holdings plc, which generated a £53.4m gain on disposal, and the sale of a therapeutic programme by Enterprise Therapeutics Limited, which gave rise to a £22.9m gain on disposal.

The performance of the Group's holdings in companies quoted on AIM saw a net unrealised fair value increase of £40.1m (2019: decrease of £12.4m) while the Group's holdings in unquoted companies experienced a net unrealised fair value increase of £108.8m (2019: decrease of £58.2m).

Investments and realisations

The Group deployed a total of £67.5m across 65 new and existing projects during the period (2019: £64.7m, 55 projects), versus realisations of £191.0m (2019: £79.5m), resulting in overall net realisations for the year of £123.5m (2019: net realisations of £14.8m).

An analysis of amounts invested by company focus is as follows:

	2020 £m	2019 £m
Top 20	**23.6**	21.8
Focus	**14.5**	21.2
Other (including companies exited by year end)	**14.6**	11.8
Total United Kingdom	**52.7**	54.8
United States[1]	**11.5**	6.9
Australasia	**3.3**	3.0
Total purchase of equity and debt investments	**67.5**	64.7
Less cash proceeds from sales of equity investments	**(191.0)**	(79.5)
Net (realisations) / investment	**(123.5)**	(14.8)

1 United States investment total includes £1.8m (2019: £1.6m) invested in Uniformity Labs, Inc. and £2.1m (2019: £nil) invested in MOBILion Systems, Inc., which are in the Top 20 holdings by value.

Co-investment analysis

Including the £67.5m invested by the Group, the Group's portfolio raised a total of £1.1bn during the year to 31 December 2020 (2019: £430m). Co-investment in 2020 came from more than 170 different investors, excluding individuals, and only 2% of the funding came from parties with a greater than 1% shareholding in IP Group plc (2019: more than 200 investors, less than 1%). An analysis of this co-investment by source is as follows:

Portfolio capital raised	2020		2019	
	£m	%	£m	%
IP Group [1]	**67.5**	**6%**	64.5	15%
Funds managed by Parkwalk Advisors	**6.0**	**1%**	13.2	3%
IP Group plc shareholders (>1% holdings)	**20.0**	**2%**	0.7	0%
Institutional investors	**575.0**	**54%**	147.0	34%
Corporate, other EIS, individuals, universities and other	**365.9**	**35%**	138.6	33%
Capital into multi-sector platforms	**20.0**	**2%**	66.3	15%
Total	**1,054.4**	**100%**	430.3	100%

[1] Reflects primary investment only; in 2020 the Group made no further investment via secondary purchase of shares (2019: £0.2m).

Portfolio analysis by focus

At 31 December 2020, the Group's portfolio fair value of £1,162.7m was distributed across the portfolio as follows:

	As at 31 December 2020				As at 31 December 2019			
	Fair value		**Number**		Fair value		Number	
Stage	**£m**	**%**		**%**	£m	%		%
Top 20 by value	**813.6**	**74%**	**20**	**15%**	720.2	72%	20	15%
Focus	**114.0**	**10%**	**23**	**18%**	164.0	16%	37	28%
Other	**178.6**	**16%**	**88**	**67%**	110.2	12%	75	57%
Total	**1,106.2**	**100%**	**131**	**100%**	994.4	100%	132	100%
De minimis and organic holdings	**11.9**				13.0			
Total Portfolio	**1,118.1**				1,007.4			
Attributable to third parties[1]	**44.6**				38.2			
Gross Portfolio	**1,162.7**				1,045.6			

[1] Amounts attributable to third parties consist of £16.3m attributable to minority interests represented by third party limited partners in the consolidated fund, IP Venture Fund II (2019: £17.2m), £15.3m attributable to minority interests represented by third party limited partners in the consolidated US portfolio (2019: 7.2m), £10.3m attributable to Imperial College London (2019: £10.9m) and £2.7m attributable to other third parties (2019: £2.9m).

Top 20 investments consist of the 20 most valuable holdings in the Group's portfolio by the period-end value. Focus investments are those investments that are not within the 20 most valuable, but on which the investment teams focus a significant proportion of their resources and capital. These investments typically, although not exclusively, fall within the 100 most valuable portfolio company holdings by period-end value, and they comprise 84% of the portfolio by value (2019: 88%). Outside of these companies, the portfolio contains a broad selection of exciting opportunities, categorised as 'other'. Many of these opportunities are at an early stage, and they typically receive a lower level of capital and management resource.

Companies that are at a very early stage or in which the Group's holding is of minimal value, but remain as operating businesses, are classed as de minimis holdings. Organic holdings are investments in which the Group has acquired a shareholding upon creating the company as a result of its technology transfer relationship with Imperial College London, but in which it has not actively invested.

The total value of the Group's portfolio companies (excluding OSI and Cambridge Innovation Capital ('CIC'), organic investments and de minimis holdings) is approximately £7bn (2019: £5bn).

Portfolio analysis by sector

The Group funds spin-out companies based on a wide variety of scientific research emerging from leading research-intensive institutions and does not limit itself to funding companies from particular areas of science. The Group splits its core opportunity evaluation, investment and business-building team into specialist divisions, Life Sciences, Deeptech and Cleantech. A small number of investments are categorised as 'strategic opportunities', which principally includes Oxford Nanopore Technologies Limited and portfolio companies which also invest in other opportunities. An update on the primary operating segments is included in the financial review below.

	As at 31 December 2020				As at 31 December 2019			
	Fair value		**Number**		Fair value		Number	
Sector	**£m**	**%**		**%**	£m	%		%
Strategic	**370.6**	**34%**	**4**	**3%**	291.6	29%	4	3%
Life Sciences	**392.5**	**35%**	**40**	**31%**	314.3	32%	41	31%
Deeptech	**212.5**	**19%**	**36**	**27%**	203.4	20%	40	30%
Cleantech	**58.8**	**5%**	**12**	**9%**	124.3	13%	16	12%
United States	**64.5**	**6%**	**27**	**21%**	57.1	6%	23	17%
Australia	**7.3**	**1%**	**12**	**9%**	3.7	0%	8	6%
Total	**1,106.2**	**100%**	**131**	**100%**	994.4	100%	132	100%
De minimis and organic holdings	**11.9**				13.0			
Total portfolio	**1,118.1**				1,007.4			
Attributable to third parties[1]	**44.6**				38.2			
Gross portfolio	**1,162.7**				1,045.6			

[1] Amounts attributable to third parties consist of £16.3m attributable to minority interests represented by third party limited partners in the consolidated fund, IP Venture Fund II (2019: £17.2m), £15.3m attributable to minority interests represented by third party limited partners in the consolidated US portfolio (2019: 7.2m), £10.3m attributable to Imperial College London (2019: £10.9m) and £2.7m attributable to other third parties (2019: £2.9m).

The following table lists information on the 20 most valuable portfolio company investments, which represent 70% of the total portfolio value (2019: 71%). Additional detail on the performance of these companies is included in the Life Sciences, Deeptech and Cleantech portfolio reviews.

Company name	**Sector**	**Description**	**Significant named co-investors at 31 Dec 2020**	**Primary valuation basis at 31 Dec 2020**	**Group Stake at 31 Dec 2020[i] %**	**Fair value of Group holding at 31 Dec 2019 £m**	**Net investment/ (divestment) £m**	**Unrealised Fair value movement and fees settled in equity £m**	**Fair value of Group holding at 31 Dec 2020 £m**
Oxford Nanopore Technologies Limited	**Strategic**	Enabling the analysis of any living thing, by any person, in any environment	Amgen, CCB, GIC, Hostplus, IHC, Invesco, Lansdowne, RPMI Railpen	Other	**15.0**	263.8	-	76.5	**340.3**
Istesso Limited	**Life Sciences**	Reprogramming metabolism to treat autoimmune disease	Puhua Capital	Other*	**56.4**	82.6	3.0	-	**85.6**
Hinge Health Inc	**Life Sciences**	The World's First Digital Clinic for Back and Joint Pain	Atomico Advisors, Bessemer, Coatue, Insight, Lead Edge, Tiger Global,	Recent financing (< 9 months)	**2.4**	2.6	–	39.5	**42.1**
Featurespace Limited	**Deeptech**	Leading predictive analytics company	Highland Europe, Insight, Invoke, MissionOG, TTV Capital, Robert Sansom, Merian Chrysalis	Recent financing (< 9 months)	**19.7**	29.4	1.0	6.4	**36.8**
Inivata Limited	**Life Sciences**	Transforming clinical cancer care with liquid biopsy	Neogenomics, Cancer Research, CIC, J&J Innovation, RT Partners	Recent financing (< 9 months)	**21.4**	24.0	-	7.0	**31.0**
Wave Optics Limited	**Deeptech**	Novel optical waveguides and modules for augmented reality displays	Bosch Venture Capital, Gobi Partners, GoerTek Inc., Octopus	Recent financing (> 9 months)	**17.1**	15.2	0.9	10.0	**26.1**
Diurnal Group plc	**Life Sciences**	Novel products for the treatment of rare endocrine	-	Quoted bid price	**31.9**	9.4	3.0	12.3	**24.7**

Company name	Sector	Description	Significant named co-investors at 31 Dec 2020	Primary valuation basis at 31 Dec 2020	Group Stake at 31 Dec 2020[I] %	Fair value of Group holding at 31 Dec 2019 £m	Net investment/ (divestment) £m	Unrealised Fair value movement and fees settled in equity £m	Fair value of Group holding at 31 Dec 2020 £m
		disorders							
Garrison Technology Limited	**Deeptech**	Anti-malware solutions for enterprise cyber defences	BGF, Dawn Capital, NM Capital	Other	**23.4**	28.8	–	(5.2)	**23.6**
Ultraleap Holdings Limited	**Deeptech**	Contactless haptic technology "feeling without touching"	Cornes, Dolby Ventures, Hostplus, Mayfair Partners	Recent financing (> 9 months)*	**22.6**	27.5	–	(4.1)	**23.4**
Oxford Sciences Innovation plc	**Strategic**	University of Oxford preferred IP partner under 15-year framework agreement	Blue Pool, Fosun Pharma, Invesco, Lansdowne, Redmile, Sequoia, Temasek, Tencent	Recent financing (< 9 months)	**2.3**	23.9	(7.3)	4.0	**20.6**
First Light Fusion Limited	**Cleantech**	Solving fusion with the simplest possible machine	OSI, Hostplus	Recent financing (< 9 months)	**32.0**	17.9	2.5	0.1	**20.5**
Apcintex Limited	**Life Sciences**	Developing novel haemophilia therapies	Medicxi	Sale process	**27.5**	7.0	1.0	11.0	**19.0**
Artios Pharma Limited	**Life Sciences**	Novel oncology therapies	Arix Bioscience, BioDiscovery 5, SV Life Sciences, Pfizer, Merck Ventures	Other	**11.7**	8.2	2.7	6.4	**17.3**
Ieso Digital Health Limited	**Life Sciences**	Digital therapeutics for psychiatry	Draper Esprit	Other*	**46.2**	18.4	3.2	(4.8)	**16.8**
Oxbotica Limited	**Cleantech**	Software to enable every vehicle to become autonom ous	Fundamental Insurance Investments, BT Technology Ventures, BGF, bp venture	Recent financing (< 9 months)	**16.4**	11.6	4.0	(0.6)	**15.0**
Mirriad Advertising plc	**Deeptech**	Native in-video advertising allowing post-production ad placement	-	Quoted bid price	**12.3**	5.0	-	9.8	**14.8**
Uniformity Labs, Inc.	**United States**	Equipment, materials and software for additive manufacturing	Not disclosed	Recent financing (< 9 months)	**29.2**	14.1	0.2	0.4	**14.7**
Actual Experience plc	**Deeptech**	Optimising the human experience of networked applications	-	Quoted bid price	**21.2**	9.5	-	4.9	**14.4**
Mission Therapeutics Limited	**Life Sciences**	Targeting deubiquitylating enzymes for the treatment of CNS and mitochondrial disorders	Pfizer, Roche, Sofinnova Partners, SR one, Schroder	Recent financing (< 9 months)	**18.0**	13.7	-	0.1	**13.8**
MOBILion Systems, Inc.	**United States**	A platform technology for conducting ion mobility separations	Not disclosed	Recent financing < 9 months	**33.4**	9.3	3.1	0.5	**12.9**
Other companies (111 companies)						372.5	(58.4)	(21.3)	**292.8**
De minimis and organic investments						13.0	2.0	(3.1)	**11.9**
Value not attributable to equity holders[II]						38.2	7.2	(0.8)	**44.6**
Total						1,045.6	(31.9)	149.0	**1,162.7**

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

ii. Includes £0.7m decrease (2019: £2.7m increase) in revenue share to Imperial College London, with a corresponding increase in revenue share liability resulting in no net fair value movement.

* Third party valuation specialists used for 31 December 2020 valuation

PORTFOLIO REVIEW: STRATEGIC OPPORTUNITIES

Alan Aubrey
Chief Executive Officer

The Strategic Opportunities fund is a cross-country and cross-sector fund, the principal asset within which is our holding in Oxford Nanopore. Due to its size and significance to the Group, this asset is managed directly by the Chief Executive with assistance from the leadership team. This fund also contains some smaller holdings in companies that operate in a similar way to IP Group but focus on a specific university, such as OSI (Oxford) and CIC (Cambridge).

Oxford Nanopore

Oxford Nanopore is disrupting the paradigm of biological analysis by making high-performance, novel DNA/RNA sequencing technology that is accessible and easy to use. Its sequencing technology, which scales from portable devices to large high-throughput versions, is now being used in more than 100 countries for a range of biological research applications including large- scale human genomics, cancer research, microbiology, plant science, and environmental research. During 2020, the Company entered the diagnostics market with its first in vitro diagnostic product, LamPORE, a COVID19 test.

The company, which now has approximately 600 employees, remains well financed, having raised £162.1m million last year from both existing and new investors including International Holdings Company (IHC) and RPMI Railpen. It was ranked 20th in the Sunday Times Tech Track 100 annual league table of the UK's fastest growing private technology companies. The company recorded revenues of £52.1m in 2019, a 60% rise on the prior year, and noted it achieved "strong growth" in 2020.

COVID-19

Oxford Nanopore remains at the forefront of efforts to tackle the COVID-19 pandemic both in sequencing the virus and also in launching its first diagnostic products (LamPORE) for the detection of the virus in record time.

Genomic epidemiology: Oxford Nanopore's sequencing technology has been used since the start of 2020 to sequence the virus - achievable in under seven hours, providing information critical for epidemiological insights as well as new insights for diagnostic and vaccine development. Many researchers are using the portable MinION device, with higher throughput labs using the larger GridION. Early in the pandemic, the company shipped an additional 200 MinION sequencers and related consumables to China which were deployed to support ongoing surveillance of the COVID-19 outbreak there, supplementing the large number of MinION devices already in operation in the country.

In March, it was announced that the UK Government and Wellcome Trust had funded a COVID-19 genome sequencing alliance, to enable rapid, broad, large-scale sequencing analysis of samples from patients testing positive for COVID-19. The network aims to sequence the virus from every patient sample that has tested positive with the resulting data helping to deliver insights into how the virus is transmitted and how it evolves. Oxford Nanopore is supporting participating teams across the UK in this project, including in the cities of Birmingham, London, Edinburgh, Glasgow, Nottingham, Sheffield, Liverpool, Cardiff, Exeter and Cambridge.

Oxford Nanopore's COVID test, LamPORE has now achieved CE marking for *in vitro* diagnostic use for the detection of SARS-CoV-2 using the GridION device. This milestone represents Oxford Nanopore's first IVD clinical diagnostic product and underlines the huge potential of scalable, real-time nanopore sequencing technology for this significant and growing market. Further expansion of the LamPORE product line is anticipated, and additional regulatory approvals, including Emergency Use Authorisation in the United States, are being progressed. A version that includes multiple viruses including influenza, rhinovirus and SARS-CoV-2 is in development.

An independent evaluation study of LamPORE of over 500 samples revealed a sensitivity of 99.1% (identification of true positives) and specificity of 99.6% (identification of true negatives). This is comparable to RT-PCR, the current gold-standard test for SARS-CoV-2. LamPORE is currently being rolled out globally, with initial use in the UK, Germany, Switzerland and United Arab Emirates. A more recent study of more than 23,000 samples performed in the NHS confirmed the high performance.

In the UK, the company announced an agreement with the UK's Department of Health and Social Care with an initial order of 450,000 LamPORE SARS-CoV-2 tests and the potential to increase to millions of tests per month as indicated by the recent publication of a contract award notice of £112.6m on the TED (Tenders Electronic Daily) website.

Other 2020 highlights & technical progress

Other significant developments in the year include the announcement that Oxford Nanopore joined the Africa CDC and other leading industry partners including the Bill and Melinda Gates Foundation to announce the African Pathogen Genomics Initiative. This $100 million four-year initiative aims to build a disease surveillance and laboratory network based on genomic sequencing across Africa. This network will not only help identify and inform research and public health responses to COVID-19 and other epidemic threats, but also tackle endemic diseases such as HIV, tuberculosis, malaria, cholera, and other infectious diseases.

Oxford Nanopore has also made significant improvements in the accuracy of its product suite with a new basecalling algorithm that further enhances accuracy, Bonito CRF. This has delivered ‘raw read’ accuracy of >98%, or 99.1% with a new chemistry, which in turn supports a range of accurate genomic insights. Increasing data yields from Oxford Nanopore devices drives new use cases and customer cost effectiveness; in December the company announced a new PromethION yield record of 10 Tb, representing a 25% improvement on the previous record. In January 2021, Novogene announced routine achievement of more than 220Gb per PromethION flow cell, allowing the analysis of three human genomes on a single flow cell. As a PromethION can run up to 48 flow cells, and each flow cell can be purchased for $625 under certain pricing plans, this in combination with the rich datasets delivered by nanopore sequencing positions PromethION competitively for larger genome projects. Oxford Nanopore has also launched a new MinKNOW App which enables users to monitor and control their sequencing experiments remotely using their tablets or even mobile phones.

Research

During the fourth quarter of 2020, over 230 scientific studies utilising nanopore technology were published, including 14 papers in high impact journal titles from *Nature* alone. In the quarter, 28 scientific publications detailing the extensive use of nanopore sequencing to track and characterise SARS-CoV-2 were published including an independent study of more than 23,000 samples which revealed LamPORE COVID-19 to offer highly accurate detection of SARS-CoV-2, in both symptomatic and asymptomatic population settings. Within the field of COVID epidemiology, more than 100 papers were published, including where researchers in Brazil reported the first identification of the highly transmissible SARS-CoV-2 B1.1.7 variants, and researchers used nanopore sequencing to comprehensively analyse 16 SARS-CoV-two outbreaks in mink farms in the Netherlands with results indicating that the virus was introduced from humans to mink and subsequently evolved.

Operational developments

The company strengthened its Board with two appointments in 2020. In January, John O’Higgins was appointed as a non-executive director. Mr O’Higgins was previously CEO of Spectris, the international productivity-enhancing instrumentation and controls company. In October, the company announced that Dr Guy Harmelin had joined the Board as a non-executive director. Previously on the leadership team at Harel Insurance Investments and Financial Services, Dr Harmelin invested and worked with multiple successful companies including Lemonade, Innoviz, American Well, Ecoppia, Ayala Pharma, Biond Biologics, Tabit, Assured Allies, Quantum Machines, Rafael and Ein-Tal Hospitals.

Oxford Nanopore also held its major conferences remotely this year. In June, its sixth Annual ‘London Calling’ conference attracted over 5,500 attendees from 91 countries with leading scientists present their work on a range of topics. In December, meanwhile, more than 2,400 researchers joined its first online Community Meeting.

Multi-sector platform companies

The Group has shareholdings in two multi-sector platform companies, OSI and CIC. As at 31 December 2020, IP Group has a 2.3% holding in OSI valued at £20.6m and a 1.0% holding in CIC valued at £3.1m (2019: 3.3%, £23.9m, 1.0%, £2.8m).

As a result of its 15-year framework agreement with the University of Oxford, OSI is the preferred intellectual property partner for the provision of capital to, and development of, Oxford spin-out companies and is entitled to 50% of the university’s founder equity in spin-out companies. In 2020 OSI has continued to support its existing portfolio, and as at 30th September 2020 £71.3m further investment had been made, with OSI leading on 31 investments. The number of investments stood at 82 with a total portfolio value of £386.6m and cash and deposits of £309.0m. Net asset value per share had risen from 118.0p to 122.3p during the first nine months of 2020.

CIC is a preferred investor for the University of Cambridge for the commercialisation of intellectual property created at the University under a ten-year memorandum of understanding, and a Cambridge-based investor in technology and healthcare companies from the Cambridge Cluster. Since its inception, CIC has secured £275m of investment, invested £175.5m, and its current portfolio of 31 investments is held at £309.1m.

Other holdings

In addition to the holdings described above, the strategic opportunities fund includes certain other portfolio companies. 2020 saw an additional strategic investment of $3m in Mobilion Systems, Inc. alongside IP Group, Inc. the Group’s North American platform, reflecting an additional capital allocation based on the compelling opportunity that this company presents. Mobilion is covered in further detail in the North American portfolio review.

PORTFOLIO REVIEW: LIFE SCIENCES

Dr Sam Williams
Managing Partner, Life Sciences

“The Life Sciences division enjoyed strong performance in 2020, with a closing portfolio value of £393m and net portfolio gains of £85m, representing a 27% return on the opening portfolio value of £335m. We consider that this positive portfolio

performance is partly attributable to positive actions taken by the Life Sciences team over the past three years, working closely with the boards and operational management of our portfolio companies:"

Review of the year
The Life Sciences division enjoyed strong performance in 2020, with a closing portfolio value of £393m versus £335m at the end of 2019. Net portfolio gains were £85m, representing a return on opening portfolio value of 27%. This is a significant improvement compared with the declines seen in the portfolio in 2018 and 2019. In addition, cash realisations for 2020 amounted to £23m versus £7m in 2019.

We consider that the positive portfolio performance is partly attributable to the following actions taken by the Life Sciences team over the past three years, working closely with the boards and operational management of our portfolio companies:

1. completion of the consolidation process that the division has been undertaking since the combination of the IP Group and Touchstone Life Sciences portfolios in early 2018, including rationalisation of both the number of companies and historic holding values for individual assets;
2. more efficient management of key assets, with a focus on non-dilutive funding to reduce IP Group's cash commitment in capital intensive businesses; and
3. pursuit of M&A to crystallise gains and return cash.

Notable individual successes resulting from these actions include the sale of part of Enterprise Therapeutics Ltd. to Roche in October, involving a £75m up-front cash payment, the $20m investment by NeoGenomics Inc. in Inivata Limited with an option to buy the company, and the $15m investment by Pfizer in Mission Therapeutics Limited. To add to this, in January 2021 the division agreed to the acquisition by Centessa Pharmaceuticals of Apcintex Ltd, a privately held drug-discovery company focused on a single development-stage asset, SerpinPC for haemophilia, and in which IP Group held 27%. Centessa is backed by the Life Sciences investment group Medicxi and is a roll-up of ten of its portfolio companies. Following the acquisition and Centessa's subsequent $250m Series A financing, IP Group's resulting minority stake in Centessa is valued at £19.0m, representing a fair value gain of £11.0m from the holding value of Apcintex at 30 June 2020. The LS division believes the Centessa acquisition has the advantage of spreading the risk of its investment in SerpinPC across a range of different assets and, potentially, providing a more rapid route to liquidity.

In addition to this, there were some notable examples of outstanding individual company performance, including Diurnal Group plc's continued commercial traction for Alkindi in the US and EU, resulting in a 107% share price appreciation and £12m gain for the division, and Artios' multi-billion-dollar research collaboration with Merck, resulting in a £6m increase in our holding value.

The division has also benefitted from the incredible development of Hinge Health Inc., a now US-based company that has developed the most complete Digital MSK Clinic for the whole body. Having delivered strong commercial progress during 2020, the company completed a $300m Series D financing in December, valuing the company at $3bn and our 2.4% stake at £42m. This resulted in a fair value increase in the division in 2020 of £40m.

The most notable negative outcomes in terms of individual NAV result were the £8m write-down in our Autifony holding following the decision by Boehringer Ingelheim not to exercise its option on the company's Kv3 schizophrenia programme and the £6m write-down in Creavo Medical Technologies Limited following setbacks with the clinical development of the company's lead product for detection of acute coronary syndrome. Another disappointment was missed upside in Avacta Group plc, where we sold our stake days prior to the announcement of a COVID-related deal with Cytiva which triggered a significant run in Avacta's stock. However, while the timing was regrettable on this occasion, the sale is consistent with our approach of reducing positions in non-core assets which we continue to believe will provide the best mid- and long-term returns for the Group.

Overall, we believe the outlook for the division entering 2021 continues to be positive. Some of our companies have been in existence for nearly 10 years or more, and have products that are now approaching key milestones, whether clinical, regulatory and/or financial. In total, we see more than 15 milestone events during 2021-23 that could prove to be material value-inflection points.

Major milestones that we expect in 2021 include the potential approval of Diurnal Group plc's Chronocort at the end of Q1, the start of Phase 2b studies for Istesso Limited's rheumatoid arthritis drug MBS2320, the possible acquisition of Inivata by NeoGenomics Inc., proof-of-concept clinical data in Q4 for Apcintex Limited's novel haemophilia drug SerpinPC, and the start of Phase 3 for Pulmocide Limited's novel anti-fungal PC945.

PORTFOLIO REVIEW: TECHNOLOGY

Mark Reilly
Managing Partner, Technology

"In addition to our focus on driving value from the more mature portfolio, we continue to develop potentially ground-breaking earlier-stage assets."

Review of the year
IP Group's Technology portfolio comprises holdings in 48 companies valued at £271m as at 31 December 2020.

Our companies were quick to respond to the COVID-19 pandemic, prioritising the health and wellbeing of their staff whilst adopting prudent cash management measures. We saw several instances of private investors pulling out of portfolio company deals in the early stages of lockdown and in some cases the crisis has had an impact on asset value, but we have worked hard to ensure our assets are financially secure throughout the crisis and beyond. The portfolio has performed well despite the circumstances and is well-positioned for future growth.

Deeptech Portfolio

Our highest value holding in the Deeptech portfolio, Featurespace, which is a world leader in enterprise financial crime prevention for fraud and anti-money laundering, raised £30m in a funding round led by Merian Chrysalis Investment Company in May which generated a £6.4m uplift in the value of IP Group's holding. Featurespace, whose machine learning models have automatically adapted to the shift in consumer and criminal behaviour during lockdown, continues to expand its customer base and the fact that this financing was achieved during the height of the first lockdown demonstrates the strength of the company's investment case.

2020 has been a transformative year for WaveOptics Limited, which makes waveguides and projectors for augmented reality glasses. Despite COVID-19, the company exceeded order forecasts during the year, reflecting the imminent emergence of mass market augmented reality products. WaveOptics now counts eight of the world's top ten tech and social media companies as customers and we are optimistic about the prospects for this asset. We have written up the value of our holding in Wave Optics by £10.0m to reflect the positive commercial developments and expectations for an upcoming funding round.

In a similar field, Ultraleap experienced COVID-related headwinds in some of its target markets but also saw strong demand for its hand tracking software both in retrofitting or replacing public touchscreen displays to reduce the potential for surface transmission of viral particles, and in emerging virtual and augmented reality products. Ultraleap signed a multi-year co-operation agreement with Qualcomm that will see Ultraleap's hand tracking pre-integrated into the Qualcomm® Snapdragon™ XR2 5G platform and further development deals with major consumer electronics companies have already begun to stem from that partnership.

Our computer vision and artificial intelligence (AI) platform company Mirriad Advertising plc announced a contract with a US-based "tier one media giant" in October and this news, coupled with the launch of Mirriad's offering to the music video industry, drove strong growth in value at that asset. The company completed a very successful placing in December, raising £26m of new investment, which leaves Mirriad well positioned to capitalise on the global opportunity for its video advertising product.

COVID-19 has brought challenges to all our portfolio companies, but we are confident that several can also make a meaningful contribution in helping the world adapt to, and deal with, the crisis. University of Oxford spin-out Navenio, for example, is deploying its infrastructure-free indoor location and workforce artificial intelligence solution in UK hospitals to help alleviate the pressures brought on by reduced or changing staff availability, whilst Actual Experience plc was cited in a white paper published by Verizon and Boston Consulting Group as delivering a key tool for managing the changes in working patterns brought about by lockdown.

In addition to our focus on driving value from the more mature portfolio, we continue to develop potentially ground-breaking earlier-stage assets. In that domain, portfolio company Quantum Motion—which IP Group has nurtured alongside our co-investor, OSI, from the laboratory benches of University College London and the University of Oxford—raised an oversubscribed £8m Series A round to fund its growth.

On the negative side, we unfortunately saw a significant write-down in the value of Econic Technologies, which develops catalyst technologies that incorporate waste carbon dioxide into polyols to bring benefits to the plastics industry, due to difficulties in securing third-party funding. The other significant write-down was for Garrison due to slower than anticipated commercial progress since its last funding round; we have recently seen signs of the company regaining momentum and so remain optimistic for its prospects. A handful of other assets were also written down by smaller sums, mostly due to delayed commercial progress, in many cases due to Covid-related market slowdowns.

Cleantech

The Cleantech portfolio has delivered outstanding performance this year with net portfolio gains of £54.2m and realisations of £131.4m, primarily due to the rapid growth in value of Ceres Power and our divestment of that asset over the course of the year. The Group first invested in Ceres in 2012 and we are incredibly proud of the success it has achieved. Ceres is a great example of how we have helped to develop and support a world-leading company based on scientific research carried out in the UK. Its market-leading fuel cell technology has attracted investment from Bosch and Weichai Power and we were pleased to see the company's potential reflected in its customer progress and share price growth this year. The success of this asset provided the opportunity for IP Group to realise its holding, including facilitating the expansion of Bosch's, a key industrial partner, shareholding in the company at the start of 2020. In total, the Group realised cash proceeds of £128.0m against a total investment of £18.3m. Our average price per share purchased has been £0.64 so the gross realised and IRR of this investment 48%, with a multiple of 7.0.

Our autonomous vehicle company Oxbotica secured new funding in a £27m round led by BP Ventures, leaving the company well positioned to continue its commercialisation of software originally developed at the University of Oxford that can automate any vehicle, in any environment at any time.

Our pioneering portfolio asset First Light Fusion, which is researching energy generation by inertial confinement fusion, experienced engineering issues late in 2019. The company is confident of overcoming these challenges and has developed a revised roadmap to demonstrating nuclear fusion using its radical new approach. The roadmap has been endorsed by First Light's world-renowned Scientific Advisory Board, and the company was able to raise £19m of new funding this year to pursue it.

Bramble Energy, our new fuel cell company spun out from UCL and Imperial College London, raised a £5m Series A round this year. Following in the footsteps of Ceres Power, Bramble has unique technology developed in UK universities that could play a significant role in the rapidly growing hydrogen economy. Bramble's focus is in polymer (PEM) fuel cells that use pure hydrogen for transport and portable power applications. It has developed the only technology capable of producing gigawatts of hydrogen fuel cells using existing manufacturing facilities (specifically printed circuit board fabs), dramatically reducing the time to market and investment needed.

Outside of day-to-day portfolio management, the IP Group Cleantech team has been heavily involved in the "Making Mission Possible" report from the Energy Transitions Commission which has been influential upon the UK, EU, Chinese and Indian government plans for net zero.

PORTFOLIO REVIEW: NORTH AMERICA

In the challenging environment caused by the ongoing economic impact of the COVID-19 pandemic, IP Group, Inc. and its portfolio companies continued to make significant progress. In early 2021, the team secured an additional $50.0m of capital for the platform, comprising $40.0m from a new US blue-chip institutional investor alongside $10.0m from IP Group plc. This brings the total funds raised by the team over the past twelve months to $63.5m, including $15.0m from IP Group plc. The funds will support the continued growth of IP Group, Inc's maturing portfolio as well as its pipeline of new opportunities.

Its portfolio companies have realised a number of financial and operational achievements over the course of the year, among them:

- **MOBILion** closed a $35m Series B funding round to expand its product portfolio and advance the commercial efforts for its SLIM technology for biotherapeutics characterization and novel biomarker discovery;
- **Carisma Therapeutics** closed a $59.0m Series B round. It also achieved a ground-breaking milestone achieving clearance by U.S. Food and Drug Administration of its investigative new drug (IND) application for its lead candidate, CT-0508, an anti-human epidermal growth factor receptor 2 (HER2) targeted chimeric antigen receptor macrophage (CAR-M). The company recently initiated trial enrollment and patient screening for the first-of-its-kind, first-in-human study of CAR-M at Penn and the University of North Carolina. They also entered into a scientific research and licensing agreement with Nathaniel R. Landau, PhD, and NYU Langone Health through which Carisma will attain exclusive rights to develop and commercialize their Vpx lentiviral vector for all indications;
- **Uniformity Labs** completed a $38.35m Series B funding round to expand its growth in the additive manufacturing industry;
- **Exyn Technologies** entered into a partnership agreement with Sandvik Mining and Rock Technology that is expected to set the standard in autonomous underground mining. They launched in Australia with C.R. Kennedy, one of the largest providers of survey equipment for mining and government needs in Australia, and also appointed Dr. Shay Badie, an experienced investment professional and Goldman Sachs alumnus, and government acquisition and procurement expert, Katharina McFarland, to their board of directors;
- **TrekIT** raised $1m in a seed round to continue the development of their in-patient workflow application designed to combine a patient's health data with clinician communications, documents and data analytics in one place, to greatly improve patient care.

Rising to the challenge of the COVID-19 pandemic, IP Group, Inc's portfolio made a number of contributions in the battle to control and eliminate the outbreak. **MOBILion Systems**, partnered with pioneering researchers at the Complex Carbohydrate Research Center at the University of Georgia, to conduct -19 glycan analysis using their technology. This provides better and faster glycan analysis to give researchers valuable insight into how to fight the virus. **Optimeos** is providing a potentially game-changing solution to delivering a COVID-19 vaccine efficiently and effectively into the body – a point that has been recognized by the US Small Business Administration's (SBA) Small Business Innovation Research (SBIR) programme, with the approval of a grant to help further develop the technology. **Chip Diagnostics**, is using its ExoTENPO technology to try to identify and categorise the vastly different symptom presentations and patient outcomes of COVID-19. This will give doctors critical information to see who is going to respond to what treatment or even who is more susceptible to catching COVID-19.

At 31 December 2020, the Group has a 80.7% ownership interest in the North American portfolio. Following completion of the funding round in January 2021, its interest is now 61.3%.

PORTFOLIO REVIEW: AUSTRALIA AND NEW ZEALAND

In Australia and New Zealand, the Group continued to make significant progress on the solid foundation of its partnerships with the Group of Eight and the University of Auckland. Investments were completed into four new companies, bringing the portfolio to twelve companies in total.

Selected highlights from the portfolio include:

- AMSL Aero (University of Sydney) is developing Vertiia, the world's most efficient eVTOL. In November the company unveiled the vehicle and launched a partnership with Australian air ambulance company CareFlight to develop aeromedical applications of Vertiia.
- Canopus Networks (University of New South Wales) is developing AI-based real time network analytics. In October it was listed in the global 'top 20 university spin-offs you should know' by VentureRadar. It also announced collaborations with Leading Edge Data Centres and Redfig Networks.
- Kira Biotech (University of Queensland) is developing a first-in-class, selective, immune cell depleting monoclonal antibody which targets activated immune cells and aims to induce immune tolerance. The company announced the appointment of Chair Michael Grissinger, formerly Vice President and Head, Worldwide Pharmaceutical Licensing at Johnson & Johnson.
- RAGE Biotech (Monash University and University of Western Australia) was launched in July to develop treatments to help people with chronic inflammatory lung diseases, including cystic fibrosis, severe asthma and chronic obstructive pulmonary disease.

The Group continues to build a strong pipeline of new projects from across its partners.

Throughout the COVID-19 pandemic, the Group has continued to work closely with its university partners in Australia and New Zealand. In early December, together with the Group of Eight, the Group co-convened a roundtable with leading figures from industry, academia and investment to discuss the topic '*Research-led Recovery: how can Australia best leverage its university research excellence to drive increased sustainable growth?'*.

In terms of capital, the Group continues to work with Hostplus, one of Australia's largest superannuation funds with over AUD$47.8bn in funds under management through the AUD$100m IP Group Hostplus Innovation Fund, which is invested in a number of companies across the global portfolio.

THIRD PARTY FUND MANAGEMENT: PARKWALK ADVISORS

Parkwalk, the Group's specialist EIS fund management subsidiary, now has assets under management of £350m (FY19: £300m) including funds managed in conjunction with the universities of Oxford, Cambridge, Bristol and Imperial College London. Parkwalk has managed the largest EIS fund (by monies raised) in each of the last four years.

Despite the difficult macro-economic climate in 2020, Parkwalk invested £29.7m (FY19: £65.0m) in the university spin-out sector across 35 companies (FY19: 44 investments), including five companies also held directly by IP Group. A further twelve portfolio companies received £17.0m of government support through the Future Fund. Thirteen new companies joined the Parkwalk portfolio and five exits were achieved, three for positive returns and two for losses. This brings Parkwalk's total exits to £44.6m which have been distributed to investors. In October, Parkwalk won the EIS Association's 'Best EIS Fund Manager' for the fourth year in a row. Over the year, Parkwalk liaised closely with BEIS and HMT on improving the financial ecosystem for knowledge-intensive spin-out companies post-COVID-19 and with the arrival of Brexit. The fund's strategy is aligned with the government's goal of the UK becoming a 'science superpower' and commercialising the committed increase in R&D spend. Within Parkwalk, and more broadly, the Group continues to explore potential fund management opportunities.

Investments were made across a range of technologies including agtech, cleantech, mobility, sensors, healthcare, AI and quantum hardware, and security.

Over the year, Parkwalk saw some of its larger investments mature with funding rounds of up to £50m closing, as some portfolio companies started to commercialise in areas such as genomic analysis and cleantech. Seven investments were written down due to COVID-19 related impairments. However, ten companies closed funding rounds at increased valuations. Some of those are involved in diagnosing, treating and analysing Covid-19 issues.

Since the period end, Parkwalk has launched one of the first HMRC-approved Knowledge Intensive EIS Funds, a new type of fund proposed by the UK Government following the Patient Capital Review.

Portfolio review: Additional portfolio analysis

	Tech	Cleantech	Life Sciences	Strategic	Organic and De minimis	Total UK Portfolio
Value of companies in the portfolio	£212.5m	£58.8m	£392.5m	£370.6m	£11.9m	£1,046.3m
2020 net portfolio gain/(loss) (realised and unrealised)	£6.6m	£54.2m	£85.1m	£83.2m	(£2.2m)	£226.9m
Number of portfolio companies[1]	36	12	40	4	n/a	92
Cost of holdings sold in 2020	£15.7m	£24.9m	£33.8m	£6.2m	–	£80.6m
Proceeds from holdings sold in 2020	£4.9m	£131.4m	£22.7m	£29.3m	£2.7m	£191.0m
Attention:						
Top 20	£139.0m	£35.6m	£250.4m	£363.2m	–	£788.2m
Focus	£36.8m	£21.7m	£45.1m	–	–	£103.6m
Other	£36.7m	£1.6m	£97.0m	£7.4m	–	£142.7m

Organic and De minimis	–	–	–	–	£11.9m	£11.9m

United States	Australia & NZ	Total Net Portfolio	Attributable to third party investors in VF II & US	Revenue share	Total Gross Portfolio	
£64.5m	£7.3m	£1,118.1m	£31.6m	£13.0m	£1,162.7m	Value of companies in the portfolio
£4.7m	£0.3m	£231.9m	(£1.0m)	£0.5m	£231.4m	2020 net portfolio gain/(loss) (realised and unrealised)
27	12	131	–	–	131	Number of portfolio companies[1]
–	–	£80.6m	–	–	£80.6m	Cost of holdings sold in 2020
–	–	£191.0m	–	–	£191.0m	Proceeds from holdings sold in 2020
						Attention:
£25.4m	–	£813.6m	£11.2m	–	£824.8m	Top 20
£8.6m	£1.7m	£113.9m	£4.4m	–	£118.3m	Focus
£30.4m	£5.6m	£178.7m	£16.0m	£13.0m	£207.7m	Other
–	–	£11.9m	–	–	£11.9m	Organic and De minimis

FINANCIAL REVIEW

Greg Smith
Chief Financial Officer

"A transformative year for the Group in which we delivered a return to profitability, generated over £190m of realisations from our portfolio and our confidence in the portfolio's maturity profile enabled the Board to recommend a maiden dividend."

- **Profit for the year of £185.4m (2019: loss of £78.9m);**
- **Return on Hard NAV of £189.5m or 17% (2019: -£73.7m or -6%);**
- **Net assets of £1,331.9m (2019: £1,141.9m);**
- **Hard NAV of £1,331.5m (2019: £1,141.5m), representing 125.3p per share (2019: 107.8p).**
- **Recommended maiden final dividend of 1p per share**

Consolidated statement of comprehensive income

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

	2020 £m	2019 £m
Net portfolio gains/(losses) (1)	**231.4**	(43.9)
Change in fair value of limited and limited liability partnership interests	**(3.4)**	(0.7)
Net overheads (2)	**(21.6)**	(22.6)
Administrative expenses – consolidated portfolio companies	**(0.4)**	(5.4)
Administrative expenses – share-based payments charge	**(2.9)**	(2.3)
IFRS 3 charge in respect of acquisition of subsidiary	**(1.2)**	(2.5)
Carried interest plan (charge)/release	**(14.3)**	1.3
Amortisation of intangible assets	**—**	(0.3)
Goodwill impairment	**—**	—
Net finance expense	**(1.5)**	(2.4)
Taxation	**(0.7)**	(0.1)
Profit/ (loss) for the year	**185.4**	(78.9)
Other comprehensive income	**—**	0.1
Total comprehensive income/(loss) for the year	**185.4**	(78.8)
Exclude:		
Amortisation of intangible assets	**—**	0.3
Goodwill impairment	**—**	—
Share-based payment charge	**2.9**	2.3
IFRS charge in respect of acquisition of subsidiary	**1.2**	2.5
Return on Hard NAV	**189.5**	(73.7)

[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 review.

Net overheads

	2020 £m	2019 £m
Other income	**6.2**	8.6
Administrative expenses – all other expenses	**(24.8)**	(29.2)
Administrative expenses – Annual Incentive Scheme	**(3.0)**	(2.0)
Net overheads	**(21.6)**	(22.6)

Year ended 31 December 2020	**UK £m**	**Non-UK £m**	**Consolidated £m**
Other income	**5.8**	**0.4**	**6.2**
Administrative expenses – all other expenses	**(18.7)**	**(6.1)**	**(24.8)**
Administrative expenses – Annual Incentive Scheme	**(1.9)**	**(1.1)**	**(3.0)**
Net overheads	**(14.8)**	**(6.8)**	**(21.6)**

Year ended 31 December 2019	**UK £m**	**Non-UK £m**	**Consolidated £m**
Other income	8.3	0.3	8.6
Administrative expenses – all other expenses	(23.0)	(6.2)	(29.2)
Administrative expenses – Annual Incentive Scheme	(1.1)	(0.9)	(2.0)
Net overheads	(15.8)	(6.8)	(22.6)

Other income totalled £6.2m (2019: £8.6m), reduced from 2019 primarily due to reduced fund management revenues within Parkwalk, the Group's EIS fund management business, which saw its fundraising constrained compared to the previous year due to the impact of COVID-19. Additionally, £0.6m of the decline in revenue was due to the transfer of the Group's Technology Transfer Office to Imperial College London in February 2019, resulting in a reduction in full year revenue and costs in comparison with 2020.

Other income comprises fund management fees, licensing and patent income from Imperial Innovations, corporate finance fees as well as consulting and similar fees, typically chargeable to portfolio companies for services including executive search and selection as well as legal and administrative support.

Other central administrative expenses, excluding performance-based staff incentives and share-based payments charges, have decreased to £24.8m during the period (2019: £29.2m), primarily as a result of cost savings realised from the transfer of the TTO noted above, as well the full year effect of other cost reduction measures taken in late 2019, including a small number of UK redundancies.

The charge of £3.0m in respect of the Group's Annual Incentive Scheme (2019: £2.0m), reflects performance against 2020 AIS targets.

Other income statement items

The share-based payments charge of £2.9m (2019: £2.3m) reflects the accounting charge for the Group's 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.

Included within the Group's administrative expenses are costs in respect of a small number of other portfolio companies. Typically, the Group owns a non-controlling interest in its portfolio companies; however, in certain circumstances, the Group takes a controlling stake and hence consolidates the results of a portfolio company into the Group's financial statements. The administrative expenses included in the Group's results for such companies primarily comprise staff costs, R&D and other operating expenses. In the prior year, these costs included consolidated costs in respect of MOBILion Systems, Inc., for the first half of the year until its deconsolidation on 1 July 2019.

The carried interest plan charge of £14.3m (2019: release of £1.3m) relates to the recalculation of liabilities under the Group's long-term incentive carry schemes ('LTICS'), which include the current UK scheme, as well as historic IP Group and Touchstone schemes. 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 in cash and, accordingly, actual payments under these schemes, if any, may be materially different to those set out above. Our success in generating realisations at a Group level in 2020 resulted in proceeds exceeding cost and hurdle within two scheme pools, leading to payments of £0.5m being made to the scheme participants (2019: nil)

Costs of £1.2m (2019: £2.5m) were recognised in relation to a final tranche of contingent consideration payable to the sellers of Parkwalk Advisors Limited, deemed under IFRS 3 to be a payment for post-acquisition services.

Consolidated statement of financial position

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

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Goodwill and other intangible assets	**0.4**	0.4
Portfolio	**1,162.7**	1,045.6
Other non-current assets	**23.0**	22.5
Cash and deposits	**270.3**	194.9
EIB debt facility	**(67.3)**	(82.5)
Other net current liabilities	**7.9**	6.3
Other non-current liabilities	**(65.1)**	(45.3)
Total Equity or Net Assets	**1,331.9**	1,141.9
Exclude:		
Goodwill and other intangible assets	**(0.4)**	(0.4)
Hard NAV	**1,331.5**	1,141.5
Hard NAV per share	**125.3p**	107.8p

The composition of, and movements in, the Group's portfolio is described in the Portfolio review.

Portfolio Valuation Basis

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Quoted	**83.4**	117.7
Recent financing (<9 months)	**286.9**	426.7
Recent financing (>9 months)	**118.1**	279.7
Other valuation methods	**635.6**	197.8
Debt	**38.7**	23.7
Total portfolio	**1,162.7**	1,045.6

The table above summarises the valuation basis for the Group's portfolio. Further details on the Group's valuation policy can be found in notes 1 and 13. The Group seeks to use observable market data as the primary basis for determining asset fair values where appropriate. Other valuation methods include: market-derived valuations adjusted to reflect considerations including (inter alia) technical measures, financial measures and market and sales measures; discounted cash flows and price-earnings multiples.

Other Assets/Liabilities

The majority of non-current assets relate to holdings in LP and LLP funds, namely UCL Technology Fund LP, Apollo Therapeutics LLP and Technikos LLP. These funds give us both economic interest and direct investment opportunities in a portfolio of early-stage companies, as well as relationships with high-quality institutional co-investors.

The largest items within other non-current liabilities are loans from LPs of consolidated funds. The Group consolidates the assets of two managed funds in which it has a significant economic interest, specifically co-investment fund IP Venture Fund II LP and IPG Cayman LP. The latter was created in late 2018 to facilitate third-party investment into the Group's US portfolio. Loans from third parties of consolidated funds represent third-party loans into these partnerships. These loans are repayable only upon these funds generating sufficient realisations to repay the Limited Partners.

Both IP Group and Touchstone Innovation plc arranged debt facilities with the European Investment Bank ("the EIB"), total borrowings under which totalled £67.3m at the period end (2019: £82.5m). Of these facilities, £15.4m is due to be repaid within twelve months of the period end (2019: £15.4m). The facility provides the Group with an additional source of long-term capital to support the development of the portfolio.

Cash and deposits

At 31 December 2020, the Group held gross cash and deposits of £270.3m (2019: £194.9m). 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.

At 31 December 2020, the Group had a total of £10.3m (2019: £16.6m) held in US Dollars and £0.3m (2019: £0.2m) held in AUS Dollars.

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

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Net cash generated/(used) by operating activities	**(27.5)**	(17.3)
Net cash generated/(used) in investing activities (excluding cash flows from deposits)	**119.3**	9.3
Cash acquired on acquisition of subsidiary undertakings (net of cash acquired)	—	(2.5)
Repayment/drawdown of debt facility	**(15.3)**	(15.3)
Other financing activities	**(1.1)**	1.7
Effect of foreign exchange rate changes	—	—
Movement during period	**75.4**	(24.1)

A categorisation of the Group's cash and deposits is provided below:

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Held within Group subsidiaries	**269.5**	**188.1**
Held by consolidated funds – US	**0.7**	**5.8**
Held by consolidated funds – all other funds	**0.1**	**0.5**
Held by consolidated portfolio companies	—	**0.5**
Total cash and deposits	**270.3**	**194.9**

Under the terms of its term loans with the EIB, the Group is required to maintain a minimum cash balance of £30m. The Group is also required to hold six months of debt service costs (interest and capital repayments) in a separate bank account, which totalled £8.7m at 31 December 2020 (2019: £9.4m).

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 in excess of 10% in its portfolio companies and those companies are themselves trading, the directors continue to believe that the majority of its holdings will qualify for the Substantial Shareholdings Exemption ("SSE"). 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 non-qualifying holdings would ordinarily give rise to taxable profits for the Group, to the extent that these exceed the Group's operating losses from time to time.

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 Hard NAV, Hard NAV per share and Return on Hard 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

A robust and effective risk management framework is essential for the Group to achieve its strategic objectives and to ensure that the directors are able to manage the business in a sustainable manner, which protects its employees, partners, shareholders and other stakeholders. Ongoing consideration of, and regular updates to, the policies intended to mitigate risk enable the effective balancing of 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 matched 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 oversees the effective application of the framework across the business. The Risk Council is chaired by the CFO, has representation from operational business units as required during the year, and is supported in its operation by PwC. 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 bi-annually, with additional top-down input from the management team with non-executive review being carried out by the Audit & 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 Uncertainty 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 & 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 2020 we have continued to build on our 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 refreshing the Group's operational, strategic and principal risk registers and an assessment of the strategic risks and the appropriateness of our principal risks which resulted in the removal of one existing principal risk and the expansion of another, as described below.

As a result of the COVID-19 pandemic, the approach to the bi-annual and annual operational risk register reviews was revised and an exercise was conducted to capture both the key changes in each team's operational risk registers, as well as capturing specific COVID-19 impacts, controls which may be operating less effectively as a result of COVID-19 impacts and other significant changes in team priorities impacting their risk landscape. The outcome of this review found that existing controls continued to operate effectively.

Other projects completed in the year included testing of key controls over our principal risks, a refresh of the Group's risk appetite statements over the principal risks, monitoring key risk indicators, assessments of the risks posed by a Hard-Brexit and COVID-19, a control investment review to ensure the desired levels of controls agreed by the Board were in place 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 GDPR, our Capital Allocation process, payments processes and Cyber & IT security. Additionally, the PwC internal audit cyber team hosted a workshop to review the Group's resilience to cyber threats in the new, full-time remote working environment.

Priorities for 2021 include further business reviews by the internal audit function, enhancing risk reporting and communication across the business, reviewing the Group's assessment of climate related risks and opportunities and preparation for the UK Internal Controls requirements for listed companies in the UK currently expected to be implemented by December 2023.

EMERGING RISKS

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 strategy day in December. Set out below are examples of some of the potential emerging risks that are currently being monitored by management and the Board:

Near term – COVID-19

The COVID-19 pandemic has impacted our business operations, our portfolio companies and the society and economy in which the Group operates. The Group's day-to-day operations have been largely able to continue as normal albeit remotely. We enacted our business continuity plan in March 2020, primarily centred around remote working and employee and portfolio company support. In line with this plan, a Crisis Response Group comprising members of the Group's management team continues to regularly monitor the risks identified, taking such actions as are necessary to ensure that the Group can continue to operate as effectively as possible. The Group has adapted well to the pandemic and the Board does not consider that COVID-19 constitutes a principal risk to the business at this time. A number of the Group's portfolio companies have been involved in the response to the pandemic including virus testing and vaccines showcasing the valuable impact the Group's portfolio companies are having on the world. However, while the pandemic persists the Crisis Response Group continues to monitor the impacts and support our employees and portfolio companies through this difficult time.

Near term – 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 new legislation such as GDPR. In 2020 the industry saw a wholescale increase in cyber attacks, likely in response to the global move to remote working, and it is against this backdrop that the Group increased both its risk rating for Cyber and IT Security and its investment in mitigating controls, staff training and expert advisors to support our response to this risk area.

Medium term – the UK's withdrawal from the EU

The UK left the EU on 31 January 2020 and the UK agreed a trade deal with the EU ahead of the transition period ending on 31 December 2020. While the Group has considered that the risk posed by Brexit does not constitute a principal risk for the Group, uncertainty in the medium term remains over certain areas that could impact the Group's strategic aims, as follows:

Key risks

Access to capital	**Performance and management of portfolio companies**	**People**
Macroeconomic environment could cause a short-term UK recession which would reduce investor confidence and impact access to capital for both IP Group and its portfolio companies. Uncertainty over grant funding capital available for the Group's early-stage portfolio companies could cause funding risks for university spin out companies in the UK.	The performance and management of portfolio companies is crucial to the success of the Group and, as a result, the preparation that portfolio company management teams have undertaken to address key Brexit risks will be central to the successful navigation of operational and other issues that may impact their performance.	The macroeconomic environment has an impact on long-term recruitment and planning for companies. Additional visa restrictions could also impact academics and student movement to the UK, thus affecting the pool for potential portfolio companies.

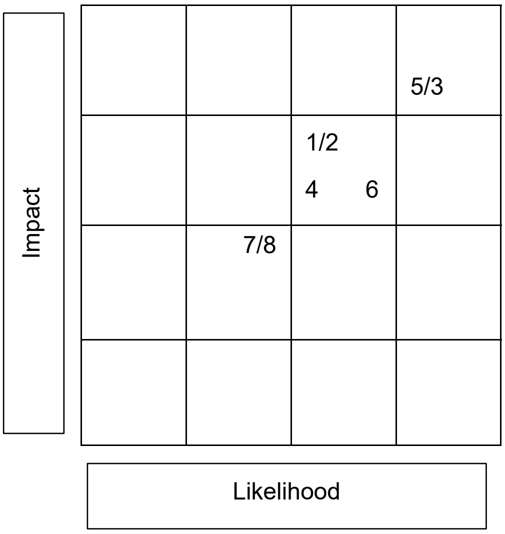
Longer term – climate change

Climate change continues to be a key concern of the Group and all its stakeholders. IP Group invests in technology which 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 has started the process of reporting against the TCFD recommendations in monitoring risks and opportunities to the business as presented by climate change.

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 are detailed in the Corporate Governance Statement and the Report of the Audit & Risk Committee, while further disclosure of the Group's financial risk management is set out in note 2 to the consolidated financial statements below.

Following the 2020 annual review process, the Group's principal risks were updated to expand the definition of the "international operations" risk to include general group operational risks such as business continuity and this updated risk is labelled "group operations including international operations". Failure of university relationships risk is no longer considered a principal risk to the Group as no strategic risks relating to the principal risk were identified in the 2020 risk consolidation process. Opportunity sourcing remains a strategic risk and this is now captured within the insufficient investment returns principal risk. The heatmap below describes the relative potential risks posed by each of the Group's identified principal risks.

IP Group principal risks heatmap



Principal risks
1 Insufficient capital: Group

2 Insufficient capital: portfolio companies

3 Insufficient investment returns

4 Personnel risk

5 Macroeconomic conditions

6 Legislation, governance and regulation

7 Cyber and IT security

8 Group operations including international operations

Risk appetite ratings defined:
VL Very low
Following a marginal-risk, marginal-reward approach that represents the safest strategic route available

L 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

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

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

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

Consideration of risk appetite:
The industry the Group operates in inherently involves accepting risk in order to achieve the Group's strategic aims of creating and maintaining a pipeline of compelling intellectual property-based opportunities, developing and supporting its portfolio companies into a diversified portfolio of robust businesses 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.

1 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 internal 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
Low

KPI
- Change in fair value of equity and debt investments
- Total equity ("Net Assets")
- Profit/loss attributable to equity holders

DEVELOPMENT DURING THE YEAR
- Significant proceeds from sale of equity and debt investments in the year (£191.0m)
- The Group's share register further diversified in the year and saw significant changes in the constitution of its major shareholders.
- The Group's share price continued to trade below NAV during the year which makes it less attractive to raise new capital through share issues

EXAMPLES OF RISK
- The Group may not be able to provide the necessary capital to key strategic assets which may affect the portfolio companies' performance or dilute future returns of the Group

CHANGE FROM 2019
No change

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2 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 new 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 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 carries out fundraising mandates for 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
- While Parkwalk Advisors continues to have independent

RISK APPETITE
Low

investment decision making it has been and is anticipated to continue to be an important co-investor with the Group, supporting shared portfolio companies

KPI

- Change in fair value of equity and debt investments
- Total equity ("Net Assets")
- Profit/loss attributable to equity holders

DEVELOPMENT DURING THE YEAR

- IP Group hosted virtual investor events in 2020 including a Deeptech Forum for China investors, three Australian portfolio showcases and a UK capital markets event "human health is the new wealth".
- Continued management of an AUS$100m trust for an Australian Super Fund which has a mandate to co-invest with IP Group plc portfolio companies. In the year, four Group portfolio companies received funding from this investment vehicle.

Parkwalk's planned 2020 fundraising was constrained against expectations due to the impact of COVID-19

EXAMPLES OF RISK

- The success of those portfolio companies which 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

CHANGE FROM 2019

No change

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3 The returns and cash proceeds from the Group's early-stage companies may be insufficient

Early-stage companies typically face a number or 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 senior leadership team often serve as non-executive directors or advisers to portfolio companies to help identify and remedy critical issues promptly
- Support on operational and legal matters is offered to minimise failures due to common administrative factors
- 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 demise
- 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

KPI

- Change in fair value of equity and debt investments
- Purchase of equity and debt investments

DEVELOPMENT DURING THE YEAR

- The Group's portfolio companies raised approximately £1.1bn of capital in 2020

- Proceeds from the sale of equity investments

- The Group maintained board representation on 89% of its "focus" companies by number

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

CHANGE FROM 2019

Increased

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4 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 Australasia 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 have been developed
- 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.
- IP Connect is the employee forum with an appointed designated non-executive director to facilitate dialogue with 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.

RISK APPETITE

Balanced

KPI

- Total equity
- "Net Assets"
- Number of new portfolio companies
- Employee engagement and diversity

DEVELOPMENT DURING THE YEAR

- Additional strain on employees as a result of the pandemic. Employee wellness heavily invested in during the year. Virtual fitness classes, mental health and resilience workshops were made available to all staff.
- Significant increase in frequency of employee communications from Executive directors, investment teams and the Head of HR. High levels of engagement from employees noted in quarterly "pulse" surveys.
- Continued to dedicate resources to remuneration and incentivisation.
- Staff attrition was 6.1%

- Approximately 40.2% of employees have been with the Company for at least five years.

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

CHANGE FROM 2019

Increased

5 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, 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
- Quarterly 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 which may impact the Group such as climate change.

RISK APPETITE

Very High

KPI

- Change in fair value of equity and debt investments
- Total equity
- "Net Assets"
- Profit or loss attributable to equity holders

DEVELOPMENT DURING THE YEAR

- Macroeconomic and geopolitical conditions remain uncertain in the UK. The UK negotiated a Brexit deal with the EU in December 2020 and shortly afterward the transition period ended. Uncertainty remains on the medium and long-term impacts of Brexit and anticipated future trade deals.
- The COVID-19 pandemic has increased uncertainty in the global economy with unprecedented levels of government intervention, job losses and industry closures.

The Group has materially increased its cash reserves in the year and as such is better placed to respond to any shocks in the economy.

- The general macro-economic environment has become more uncertain in the year however specific sectors such as the life sciences tools and biotech markets, in which the Group has significant portfolio holdings in, have experienced significant market buoyancy.

EXAMPLES OF RISK

- The success of those portfolio companies which require significant external funding may be influenced by the market's appetite for investment in early-stage companies, which may not be sufficient
- 7% of the Group's portfolio value is held in companies

CHANGE FROM 2019

No change

quoted on the AIM market and decreases in values to this market could result in a material fair value impact to the portfolio as a whole

6 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 advisers 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 FCA regulations
- The Group maintains D&O, professional indemnity and clinical trial insurance policies

RISK APPETITE
Low

KPI
- Total equity
- "Net Assets"

DEVELOPMENT DURING THE YEAR
- Ongoing focus on regulatory compliance, including third party reviews and utilisation of specialist advisers
- Unprecedented legislative changes in response to the COVID-19 pandemic including insolvency legislation, the Enterprise Act, the UK Future Funding and employee furlough and VAT deferral schemes, US COVID-19 business support scheme, and changes to the Australian Foreign Investments and Takeovers Act occurred in the year. The Group's legal teams shared legislative changes with the relevant teams across the business to ensure the Group and its portfolio could benefit from supports available.

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 FCA-authorised subsidiaries, resulting in loss of fund management contracts, reputational damage or fines.
- The UK leaving the EU could have an adverse impact on the level of research funding made available to UK universities from which the Group sources new opportunities.

CHANGE FROM 2019
No change

7 The Group 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

ACTIONS TAKEN BY MANAGEMENT
- The Group reviews its data and cyber-security processes with its external outsourced IT providers and applies the

RISK APPETITE
Low

attractive returns for shareholders could be materially impacted by a serious cyber security breach at a corporate or portfolio company level.

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

KPI
- Total equity
- "Net Assets"

DEVELOPMENT DURING THE YEAR
- Ongoing focus on IT security and staff training, including internal audit reviews and utilisation of specialist advisers
- Implementation of network and infrastructure security systems to respond to emerging threats
- Continued programme of penetration testing
- Review of business continuity and disaster recovery plan undertaken in the year
- Cyber security training provided to staff specifically to address the increased risks that were caused by extended periods of remote working due to the global pandemic in the year
- Lower priority remediation actions from the 2019 internal audit cyber maturity review were delayed in the year as the team's priorities shifted to facilitating a seamless move to remote working and increasing efforts to prevent the increased risk of cyber-attacks seen in the year due to the pandemic

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

CHANGE FROM 2019
Increased

8

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 Australasia. 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 advisers have been engaged in the establishment phase of overseas operations. US and Australasian 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

RISK APPETITE
Balanced

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

- 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

KPI

- Total equity
- "Net Assets"

DEVELOPMENT DURING THE YEAR

- Continued coordination of risk reporting across Australia, Hong Kong and USA
- Application for Hong Kong regulatory permissions being prepared with specialist local advisors
- Busines continuity plans put in place across all territories in response to the global pandemic and public health advise to work from home.

examples of risk

- A legal or regulatory breach could ultimately lead to the withdrawal of regulatory permissions in Australia, 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

change from 2019

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 2023, considering its strategy, its current financial position and its principal risks. The three-year period reflects the time horizon 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 at least annually. As a business which seeks to develop great ideas into world-changing businesses, 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 and makes assumptions about the level of capital deployed into, and realisations from, its portfolio of companies, the financial performance (and valuation) of the underlying portfolio companies, the Group's utilisation of its debt finance facility and ability to raise further capital, the level of the Group's net overheads and the level of dividends.

To assess the impact of the Group's principal risks on the prospects of the Group, the plan is stress-tested by modelling several severe downside scenarios as part of the Board's review of the principal risks of the business. The severe downside scenarios model situations where at the end of 2021 the Group has been unable generate significant portfolio realisations and sees a significant reduction in portfolio values, stress-testing the Group's minimum cash and portfolio coverage covenants (see Note 19 for details of the Group's debt covenants). These downside scenarios reflect the most likely and potentially significant adverse impacts from Covid-19, over the three-year period under consideration to be reduced availability of capital and a weaker macroeconomic environment

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 at the end of the three-year period and no breach of EIB financial covenants occur.

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 2023.

STRATEGIC REPORT APPROVAL

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

DIVIDEND

The Board is pleased to recommend a final dividend of 1p per share, to be approved at the Annual General Meeting to be held on 9 June 2021 (“2021 AGM”) and to be paid on 16 June 2021 to shareholders on the register on 14 May 2021.

Subject to shareholder approval at the 2021 AGM, the Board also proposes to introduce an optional scrip dividend programme, allowing shareholders to choose to receive dividends in the form of new issued fully paid shares in IP Group plc in lieu of cash. Further details of this proposal will be published with the notice of meeting for the 2021 AGM on or around 27 April 2021 and elections must be received by 28 May 2021.

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 2020 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 2021, 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	Alan Aubrey
Chairman	Chief Executive Officer

9 March 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	**2020 £m**	2019 £m
Portfolio return and revenue			
Change in fair value of equity and debt investments	13	**148.9**	(70.6)
Gain on disposal of equity investments	14	**82.5**	16.1
Gain on deconsolidation of subsidiary	15	**—**	10.6
Change in fair value of limited and limited liability partnership interests	24	**(3.4)**	(0.7)
Revenue from services and other income	4	**6.2**	8.6
		234.2	(36.0)
Administrative expenses			
Carried interest plan (charge)/release	23	**(14.3)**	1.3
Share-based payment charge	22	**(2.9)**	(2.3)
Amortisation of intangible assets		**—**	(0.3)
Other administrative expenses	8	**(29.4)**	(39.1)
		(46.6)	(40.4)
Operating profit/(loss)	7	**187.6**	(76.4)
Finance income		**0.9**	1.2
Finance costs		**(2.4)**	(3.6)
Profit/(loss) before taxation		**186.1**	(78.8)
Taxation	10	**(0.7)**	(0.1)
Profit(loss) for the year		**185.4**	(78.9)
Other comprehensive income			
Exchange differences on translating foreign operations		**—**	0.1
Total comprehensive profit/(loss) for the year		**185.4**	(78.8)
Attributable to:			
Equity holders of the parent		**185.4**	(75.4)
Non-controlling interest		**—**	(3.4)
		185.4	(78.8)
Profit/(loss) per share			
Basic (p)	11	**17.47**	(7.12)
Diluted (p)	11	**17.36**	(7.12)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Note	**2020** £m	2019 £m
ASSETS			
Non-current assets			
Intangible assets:			
Goodwill		**0.4**	0.4
Property, plant and equipment		**0.8**	1.1
Portfolio:			
Equity investments	13	**1,124.0**	1,021.9
Debt investments	13	**38.7**	23.7
Limited and limited liability partnership interests	24	**22.2**	21.4
Total non-current assets		**1,186.1**	1,068.5
Current assets			
Trade and other receivables	16	**3.6**	5.0
Receivable on sale of debt and equity investments	14,17	**15.3**	27.3
Deposits		**142.7**	73.0
Cash and cash equivalents		**127.6**	121.9
Total current assets		**289.2**	227.2
Total assets		**1,475.3**	1,295.7
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Called up share capital	20	**21.3**	21.2
Share premium account		**101.6**	99.7
Retained earnings		**1,208.5**	1,020.5
Total equity attributable to equity holders		**1,331.4**	1,141.4
Non-controlling interest		**0.5**	0.5
Total equity		**1,331.9**	1,141.9
Current liabilities			
Trade and other payables	18	**11.0**	26.0
EIB debt facility	19	**15.4**	15.4
Non-current liabilities			
EIB debt facility	19	**51.9**	67.1
Carried interest plan liability	22	**19.3**	5.5
Loans from limited partners of consolidated funds	19	**32.9**	26.0
Revenue share liability	13	**12.9**	13.8
Total equity and liabilities		**1,475.3**	1,295.7

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 09 March 2021 and were signed on its behalf by:

Greg Smith

Chief Financial Officer

Alan Aubrey

Chief Executive Officer

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	**2020 £m**	2019 £m
Operating activities			
Operating profit/(loss) for the period		**187.6**	(76.4)
Adjusted for:			
Change in fair value of equity and debt investments	13	**(148.9)**	70.6
Change in fair value of limited and limited liability partnership interests	24	**3.4**	0.7
Gain on disposal of equity investments	14	**(82.5)**	(16.1)
Gain on deconsolidation of subsidiary	15	**—**	(10.6)
Depreciation of property, plant and equipment		**1.4**	1.2
Amortisation of intangible non-current assets		**—**	0.3
Long term incentive carry scheme charge/(release)	23	**14.3**	(1.3)
IFRS3 charge in respect of acquisition of subsidiary – equity-settled		**2.0**	—
Fees settled in the form of equity		**(0.2)**	—
Share-based payment charge	22	**2.9**	2.3
Changes in working capital			
Decrease in trade and other receivables		**2.1**	1.6
Increase/ (decrease) in trade and other payables		**(14.8)**	9.5
Drawdowns from limited partners of consolidated funds		**6.8**	3.0
Other operating cash flows			
Net interest paid		**(1.6)**	(2.1)
Net cash outflow from operating activities		**(27.5)**	(17.3)
Investing activities			
Purchase of property, plant and equipment		**—**	(0.7)
Purchase of equity and debt investments	13	**(67.5)**	(64.7)
Investment in limited and limited liability partnership funds	24	**(4.5)**	(6.8)
Distribution from limited partnership funds	24	**0.3**	2.0
Cash flow to deposits		**(240.2)**	(217.5)
Cash flow from deposits		**170.5**	234.5
Cash disposed via deconsolidation of subsidiary	15	**—**	(2.5)
Proceeds from sale of equity and debt investments	14	**191.0**	79.5
Net cash inflow from investing activities		**49.6**	23.8
Financing activities			
Proceeds from the issue of share capital by consolidated portfolio company	15	**—**	2.9
Lease principal payment	21	**(1.1)**	(1.2)
Repayment of EIB facility	19	**(15.3)**	(15.3)
Net cash outflow from financing activities		**(16.4)**	(13.6)
Net increase/(decrease) in cash and cash equivalents		**5.7**	(7.1)
Cash and cash equivalents at the beginning of the year		**121.9**	129.0
Effect of foreign exchange rate changes		**—**	—
Cash and cash equivalents at the end of the year		**127.6**	121.9

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Attributable to equity holders of the parent						
	Share capital £m	Share premium[i] £m	Merger reserve[ii] £m	Retained earnings[iii] £m	Total £m	Non-controlling interest[iv] £m	Total equity £m
At 1 January 2019	21.2	684.7	372.6	135.8	1,214.3	3.9	1,218.2
Comprehensive income	—	—	—	(75.4)	(75.4)	(3.4)	(78.8)
Capital reduction [v]	—	(585.0)	(372.6)	957.6	—	—	—
Purchase of treasury stock [vi]	—	—	—	(0.2)	(0.2)	—	(0.2)
Equity-settled share-based payments	—	—	—	2.3	2.3	—	2.3
Currency translation	—	—	—	0.4	0.4	—	0.4
At 1 January 2020	**21.2**	**99.7**	**—**	**1,020.5**	**1,141.4**	**0.5**	**1,141.9**
Comprehensive income	**—**	**—**	**—**	**185.4**	**185.4**	**—**	**185.4**
Issue of shares[vii]	**0.1**	**1.9**	**—**	**—**	**2.0**	**—**	**2.0**
Equity-settled share-based payments	**—**	**—**	**—**	**2.9**	**2.9**	**—**	**2.9**
Currency translation[viii]	**—**	**—**	**—**	**(0.3)**	**(0.3)**	**—**	**(0.3)**
At 31 December 2020	**21.3**	**101.6**	**—**	**1,208.5**	**1,331.4**	**0.5**	**1,331.9**

[i] Share premium – Amount subscribed for share capital in excess of nominal value, net of directly attributable issue costs.

[ii] Merger reserve – Amount subscribed for share capital in excess of nominal value in relation to the qualifying acquisition of subsidiary undertakings.

[iii] Retained earnings – Cumulative net gains and losses recognised in the consolidated statement of comprehensive income net of associated share-based payments credits.

[iv] Non-controlling interest – Share of profits attributable to the Limited Partners of IP Venture Fund II LP and IPG Cayman LP, see note 25.

[v] In 2019 Group effected a reduction of capital and cancellation of share premium account, which was count approved on 17th December 2019, resulting in the reduction in the share premium and merger reserves, and a corresponding increase in retained earnings.

[vi] Reflects purchase of IP Group equity to settle exercise of options in respect of the Group's Defined Benefit Share Plan.

[vii] Reflects issue of 3,209,139 new ordinary shares to satisfy the final proportion of the consideration which has become due in respect of the acquisition of Parkwalk Advisors Limited. The increase in share capital is based on the par value of 2p per ordinary share, while the increase in share premium is equal to 60.79p per ordinary share issued. This issue of shares relates to costs recognised in relation to contingent consideration payable to the sellers of Parkwalk Advisors Limited deemed under IFRS 3 to be a payment for post-acquisition services.

[viii] Reflects currency translation differences on reserves non-GBP functional currency subsidiaries.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting policies

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 2020. 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. These financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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 3.

Going Concern

The financial statements are prepared on a going concern basis. The directors have considered the impact of the of COVID-19 pandemic on the Group, and 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. Consideration of the risks arising from the COVID-19 pandemic have been included within this assessment.

At the balance sheet date, the Group had cash and deposits of £270.3m, providing liquidity for in excess of two years' operating expenses, portfolio investment and debt repayments at recent levels. Furthermore, the group has a portfolio of investments valued at over £1.1bn, providing further opportunities for liquidity if required. 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 12 months from the date of the accounts.

Changes in accounting policies

(i) New standards, interpretations and amendments effective from 1 January 2020

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.

Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method from the date that control is transferred to the Group (see (ii) Subsidiaries below). 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.

(ii) 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.

(iii) Associates

Associates are portfolio companies over which the Group has significant influence, but does not control, generally accompanied by a shareholding of between 20% and 50% of the voting rights.

As permitted under IAS 28, the Group elects to hold such investments 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 business.

The disclosures required by Section 409 of the Companies Act 2006 for associated undertakings are included in note 10 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 10 of the Company financial statements.

(iv) Limited Partnerships and Limited Liability Partnerships ("Limited Partnerships")

Group entities act as general partner and investment manager to the following Limited Partnerships:

Name	Interest in limited partnership %
IPG Cayman LP	80.7
IP Venture Fund II LP ("IPVFII")	33.3

The Group receives compensation for its role as investment manager to these Limited Partnerships, including fixed fees and performance fees. The directors consider that these amounts are in substance and form "normal market rate" compensation for its role as investment manager.

In order to determine whether these Limited Partnerships were required to be consolidated, the presence of the three elements of control noted in part (ii) was examined. In the case of both Limited Partnerships, the Group has power over the entity as fund manager, and Group's significant stake in these funds creates an exposure to variable returns from those interests, and the Group can use its power to affect those variable returns. As such, both Limited Partnerships meet the criteria in IFRS 10 Consolidated Financial Statements and are consequently consolidated. Further disclosures in respect of these subsidiaries are included in Note 25.

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 all managed by third parties:

Name	Interest in limited partnership %
UCL Technology Fund LP ("UCL Fund")	46.4
Technikos LLP ("Technikos")	17.7
Apollo Therapeutics LLP ("Apollo")	8.3

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.

The Group has 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 (via IP2IPO Innovations Limited), University College London (via UCL Business plc) and the University of Cambridge (via Cambridge Enterprise

Limited). The venture supports the translation of academic therapeutic science into innovative new medicines by combining the skills of the university academics with industry expertise at an early stage.

See note 28 for disclosure of outstanding commitments in respect of Limited Partnerships.

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 judgments 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.

(v) Non-controlling interests

The total comprehensive income, assets and liabilities of non-wholly owned subsidiaries are attributed to owners of the parent and to the non-controlling interests in proportion to their relative ownership interests. See further disclosure in note 25.

Portfolio return and revenue

Change in fair value

Change in fair value of equity and debt investments represents revaluation gains and losses on the Group's portfolio of investments. Gains on disposal of equity investments represent the difference between the fair value of consideration received and the carrying value at the start of the accounting period on the disposal of equity investments. Change in fair value of Limited Partnership investments represents revaluation gains and losses on the Group's investments in Limited Partnership funds. Changes in fair values of assets do not constitute revenue.

Revenue from services and other income

All 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 and US operations. Revenue is recognised when the Group satisfies its performance obligations, in line with IFRS 15. Revenue from services and other income comprises:

Advisory 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 the financing round to which the advisory fees apply.

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 licenses 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 license, which can include sales-based, usage-based on milestone-based royalties.

Financial assets

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

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or the Group has transferred substantially all risks and rewards of ownership.

The Group classifies its financial assets into one of the categories listed below, depending on the purpose for which the asset was acquired. None of the Group's financial assets are categorised as held to maturity or available for sale.

(i) 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.

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 2018).

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 IPEV guidelines and including IPEV's special guidance issued in March 2020 in response to Covid-19. 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. Multiple 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 investments: the fair values of quoted investments are based on bid prices in an active market at the reporting date.
- Milestone approach: an assessment is made 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.
- Scenario analysis: 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, as well as full scenario analysis vie the use of the probability-weighted expected return method (PWERM).
- Current value method: the estimation and allocation of the equity value to the various equity interests in a business as though the business were to be sold on the Measurement Date.
- Discounted cash flows: deriving the value of a business by calculating the present value of expected future cash flows.
- Multiples: 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.

(ii) 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, carried interest plans liabilities, and revenue share liabilities arising as a result of the Group's former Technology Pipeline Agreement with University College London.

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowing using the effective interest rate method.

The Group consolidates the assets of two managed funds in which it has a significant economic interest, specifically co-investment fund IP Venture Fund II LP and IPG Cayman LP. Loans from third parties of consolidated funds represent third-party loans into these partnerships. These loans are repayable only upon these funds generating sufficient realisations to repay the Limited Partners. Management anticipates that the funds will generate the required returns and consequently recognises the full associated liabilities.

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 a hurdle rate of 8% per annum compound, scheme participants receive a 20% share of excess returns. 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 judgment (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.

The Group provides for liabilities in respect of revenue sharing obligations arising under the former Technology Pipeline Agreement with Imperial College London. Under this agreement, the Group received founder equity in spin out companies from Imperial College, and following a sale of such founder equity, a pre-specified 'revenue share' (typically 50%) is payable to Imperial College and other third parties. The liability for this revenue-share, based on fair value, is recognised as part of the movement in fair value through profit or loss (see note 13 for further details).

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.

Share capital

Financial instruments issued by the Group are treated as equity if the holders have only a residual interest in the Group's assets after deducting all liabilities. The objective of the Group is to manage capital so as to provide shareholders with above- average returns through capital growth over the medium to long-term. The Group considers its capital to comprise its share capital, share premium, merger reserve and retained earnings.

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 it has sufficient capital to satisfy these requirements. The Group ensures it remains compliant with these requirements as described in their respective financial statements.

Employee benefits

(i) 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.

(ii) 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 note 22 for further details.

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.

Leases

All operating leases in excess of one year, where the Group is the lessee, are included on the Group’s statement of financial position, and recognised as a right-of-use (“ROU”) asset and a related lease liability representing the obligation to make lease payments. The ROU asset is amortised on a straight-line basis with the lease liability being amortised using the effective interest method. Short-term leases (lease terms less than 12 months) and small-value leases are exempt from IFRS 16 and are charged to the statement of comprehensive income on a straight-line basis over the term of the lease.

2. 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 investments which are publicly traded on AIM (11 companies, 2019: 13 companies) and investments which are not traded on an active market.

The net portfolio gain in 2020 of £231.4m represents a 22.1% increase against the opening balance (2019: net loss of £43.9m, a 4.4% reduction) and a similar increase or decrease in the prices of quoted and unquoted investments is considered to be reasonably possible. 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.

	2020			2019		
	Quoted £m	Unquoted £m	Total £m	Quoted £m	Unquoted £m	Total £m
Equity and debt investments and investments in limited partnerships	0.8	11.0	11.8	1.2	9.5	10.7

(ii) Interest rate risk

The Group holds three EIB debt facilities with the overall balance as at 31 December 2020 amounting to £67.3m (2019: £82.7m) with £15.6m being subject to variable rate interest (2019: £20.1m) and £51.7m (2019: £62.6m) being subject to fixed interest rate averaging 3.1% (2019: 3.2%).

The variable rate consists of two elements. A facility of £9m which includes a fixed element of 1.98% with an additional variable spread equal to the six-month GBP LIBOR rate as at the first date of each six-month interest period. The average floating interest rate (including the fixed element) for 2019 was 2.42% (2019: 2.90%). The second facility of £6.6m is based on a floating interest rate including LIBOR and the average interest in the year was 3.14% (2019: 3.64%). There are no hedging instruments in place to cover against interest rate fluctuation as exposure is deemed insignificant. For further details of the Group's EIB 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.

(iii) 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. The Group is increasing its operations in the US and the determination of the associated concentrations is determined by the number of investment opportunities that management believes represent a good investment.

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.

	2020				2019			
	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	—	—	1,124.0	1,124.0	—	—	1,021.9	1,021.9
Debt investments	—	—	38.7	38.7	—	—	23.7	23.7
Limited and limited liability partnership interests	—	—	22.2	22.2	—	—	21.4	21.4
Deposits	137.5	—	—	137.5	73.0	—	—	73.0
Cash and cash equivalents	—	132.8	—	132.8	—	121.9	—	121.9
Trade receivables	—	—	1.5	1.5	—	—	1.4	1.4
Other receivables	—	—	2.1	2.1	—	—	3.6	3.6
Receivable on sale of debt and equity investments	—	—	15.3	15.3	—	—	27.3	27.3
	137.5	132.8	1,203.8	1,474.1	73.0	121.9	1,099.3	1,294.2
Financial liabilities								
Trade payables	—	—	(0.6)	(0.6)	—	—	(1.4)	(1.4)
Other accruals and deferred income	—	—	(10.4)	(10.4)	—	—	(24.5)	(24.5)
EIB debt facility	(51.7)	(15.6)	—	(67.3)	(62.6)	(19.9)	—	(82.5)
Carried interest plan liability	—	—	(19.3)	(19.3)	—	—	(5.5)	(5.5)
Revenue share liability	—	—	(12.9)	(12.9)	—	—	(13.7)	(13.7)
Loans from limited partners of consolidated funds	—	—	(32.9)	(32.9)	—	—	(26.0)	(26.0)
	(51.7)	(15.6)	(76.1)	(143.4)	(62.6)	(19.9)	(71.3)	(153.8)

At 31 December 2020, if interest rates had been 1% higher/lower, post-tax profit for the year, and other components of equity, would have been £1.3m (2019: £1.6m) 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	**2020 £m**	2019 £m
P1	**221.3**	176.1
AAAMMF[1]	**43.2**	13.2
Other[2]	**5.8**	5.6
Total deposits and cash and cash equivalents	**270.3**	194.9

[1] The Group holds £43.2m (2019: £13.2m) with JP Morgan GBP liquidity fund, which has a AAAMMF credit rating with Fitch
[2] The Group holds £5.8m (2019 £5.6m) 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 0.2173% (2019: 0.1127%).

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 2020 was the greater of 25% of total group cash or £50.0m (2019: 25%, £50.0m). In addition, no single institution may hold more than the higher of 50% of total cash and deposits or £50m. (2019: 50%, £50m)

The Group's exposure to credit risk on debt investments is managed in a similar way to equity price risk, as described earlier, 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.

3. 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.

(i) Valuation of unquoted equity and debt investments

The group's accounting policy in respect of the valuation of unquoted equity investments is set out in Note 1. In applying this policy, the key areas over which judgment 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.
- Debt investments typically represent convertible debt, in such cases judgment is exercised in respect of the estimated equity value received on conversion of the loan.

In all cases, 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.

4. Revenue from services

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 2020 and the year ended 31 December 2019, the Group's revenue and profit/(loss) before taxation were derived largely from its principal activities within the UK.

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

i. the commercialisation of intellectual property via the formation of long-term partner relationships with universities;

ii. the management of venture capital funds focusing on early-stage UK technology companies and the provision of corporate finance advice;

Within the University Partnerships segment, the Life Sciences, Technology, Strategic, North American and Australia & New Zealand business units represent discrete operating segments. In line with the quantitative thresholds and aggregation criteria set out in IFRS 8, we have presented the activities of these busines units as a single reporting segment. The economic indicators which have been assessed in determining that the aggregated operating segments have similar economic characteristics include the application of a common business model across the operating segments within the University Partnerships segment and the global nature of the commercial operations, shareholders and potential acquirers of the Group's portfolio companies.

These activities are described in further detail in the strategic report.

Year ended 31 December 2020	University partnership business £m	Venture capital fund management £m	Consolidated £m
STATEMENT OF COMPREHENSIVE INCOME			
Portfolio return and revenue			
Change in fair value of equity and debt investments	**148.9**	**-**	**148.9**
Gain on disposal of equity investments	**82.5**	**-**	**82.5**
Change in fair value of limited and limited liability partnership interests	**(3.4)**	**-**	**(3.4)**
Revenue from services and other income	**1.1**	**5.1**	**6.2**
	229.1	**5.1**	**234.2**
Administrative expenses			
Carried interest plan charge	**(14.3)**	**-**	**(14.3)**
Share-based payment charge	**(2.9)**	**-**	**(2.9)**
Administrative expenses	**(25.1)**	**(4.3)**	**(29.4)**
Operating profit	**186.8**	**0.8**	**187.6**
Finance income	**0.9**	**-**	**0.9**
Finance costs	**(2.4)**	**-**	**(2.4)**
Profit before taxation	**185.3**	**0.8**	**186.1**
Taxation	**(0.4)**	**(0.3)**	**(0.7)**
Profit for the year	**184.9**	**0.5**	**185.4**
STATEMENT OF FINANCIAL POSITION			
Assets	**1,461.6**	**13.7**	**1,475.3**
Liabilities	**(141.8)**	**(1.6)**	**(143.4)**
Net assets	**1,319.8**	**12.1**	**1,331.9**
Other segment items			
Capital expenditure	**-**	**-**	**-**
Depreciation	**(1.3)**	**(0.1)**	**(1.4)**

Year ended 31 December 2020	UK £m	Non-UK £m	Consolidated £m
STATEMENT OF COMPREHENSIVE INCOME BY GEOGRAPHY			
Portfolio return and revenue	**230.8**	**3.4**	**234.2**
Administrative expenses	**(39.1)**	**(7.5)**	**(46.6)**
Operating profit/ (loss)	**191.7**	**(4.1)**	**187.6**
Net interest	**(1.5)**	**-**	**(1.5)**
Profit/(loss) before taxation	**190.2**	**(4.1)**	**186.1**
Taxation	**(0.7)**	**-**	**(0.7)**
Profit/(loss) for the year	**189.5**	**(4.1)**	**185.4**

Year ended 31 December 2020	UK £m	Non-UK £m	Consolidated £m

STATEMENT OF FINANCIAL POSITION BY GEOGRAPHY			
Current assets	**287.1**	**2.1**	**289.2**
Non-current assets	**1,099.7**	**86.4**	**1,186.1**
Current liabilities	**(26.1)**	**(0.3)**	**(26.4)**
Non-current liabilities	**(101.7)**	**(15.3)**	**(117.0)**
Total equity	**1,259.0**	**72.9**	**1,331.9**

Year ended 31 December 2019	University partnership business £m	Venture capital fund management £m	Consolidated £m
STATEMENT OF COMPREHENSIVE INCOME			
Portfolio return and revenue			
Change in fair value of equity and debt investments	(70.6)	—	(70.6)
Gain on disposal of equity investments	16.1	—	16.1
Gain on deconsolidation of subsidiary	10.6	—	10.6
Change in fair value of limited and limited liability partnership interests	(0.7)	—	(0.7)
Revenue from services and other income	3.1	5.5	8.6
	(41.5)	5.5	(36.0)
Administrative expenses			
Carried interest plan release	1.3	—	1.3
Share-based payment charge	(2.3)	—	(2.3)
Amortisation of intangible assets	(0.3)	—	(0.3)
Administrative expenses	(35.0)	(4.1)	(39.1)
Operating (loss)/profit	(77.8)	1.4	(76.4)
Finance income	1.1	0.1	1.2
Finance costs	(3.6)	—	(3.6)
(Loss)/profit before taxation	(80.3)	1.5	(78.8)
Taxation	(0.1)	—	(0.1)
(Loss)/profit for the year	(80.4)	1.5	(78.9)

Year ended 31 December 2019	University partnership business £m	Venture capital fund management £m	Consolidated £m
STATEMENT OF FINANCIAL POSITION			
Assets	1,276.0	19.7	1,295.7
Liabilities	(146.2)	(7.6)	(153.8)
Net assets	1,129.8	12.1	1,141.9
Other segment items			
Capital expenditure	0.5	0.2	0.7
Depreciation	(1.1)	(0.1)	(1.2)

Year ended 31 December 2019	UK £m	Non-UK £m	Consolidated £m
STATEMENT OF COMPREHENSIVE INCOME BY GEOGRAPHY			
Portfolio return and revenue	(47.2)	11.2	(36.0)
Administrative expenses	(29.4)	(11.0)	(40.4)
Operating (loss)/profit	(76.6)	0.2	(76.4)
Net interest	(2.4)	—	(2.4)
(Loss)/profit before taxation	(79.0)	0.2	(78.8)
Taxation	—	(0.1)	(0.1)
(Loss)/profit for the year	(79.0)	0.1	(78.9)

Year ended 31 December 2019	UK £m	Non-UK £m	Consolidated £m
STATEMENT OF FINANCIAL POSITION BY GEOGRAPHY			

Current assets	220.2	7.0	227.2
Non-current assets	1,001.3	67.2	1,068.5
Current liabilities	(40.0)	(1.4)	(41.4)
Non-current liabilities	(103.0)	(9.4)	(112.4)
Total equity	1,078.5	63.4	1,141.9

6. Auditor's remuneration

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

	2020 £'000s	2019 £'000s
Audit fees in respect of Group and subsidiaries, audited by KPMG LLP	**396**	323
Interim review fee, for review performed by Group auditor KPMG LLP	**53**	40
Audit fees in respect of Funds, audited by KPMG LLP	**14**	10
Audit fees in respect of subsidiary companies, audited by Moore Northern Home Counties Limited	**58**	-
Total assurance services	**521**	373
All other services performed by Group auditor KPMG LLP	**9**	9
Total non-assurance services performed by Group auditor KPMG LLP	**9**	9

7. Operating profit/(loss)

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

	2020 £m	2019 £m
Amortisation of intangible assets	**-**	(0.3)
Depreciation of tangible assets	**(1.4)**	(1.2)
Employee costs (see note 9)	**(20.6)**	(19.6)
Gain on deconsolidation of subsidiary (see note 15)	**-**	10.6

8. Other administrative expenses

Other administrative expenses comprise:

	2020 £m	2019 £m
Employee costs (see note 9)	**20.6**	19.6
IFRS 3 charge in respect of acquisition of subsidiary[1]	**1.2**	2.5
Professional services	**5.4**	5.0
Consolidated portfolio costs	**0.4**	5.4
Depreciation of tangible assets	**1.4**	1.2
Other expenses	**0.4**	5.4
	29.4	39.1

[1] Costs of £1.2m (2019: £2.5m) were recognised in relation to contingent consideration payable to the sellers of Parkwalk Advisors Limited deemed under IFRS 3 to be a payment for post-acquisition services.

9. Employee costs

Employee costs (including executive directors) comprise:

	2020 £m	2019 £m
Salaries	**12.0**	13.0
Defined contribution pension cost	**1.0**	1.1
Share-based payment charge (see note 22)	**2.9**	2.3
Other bonuses accrued in the year	**3.4**	2.0
Social security	**1.3**	1.2
	20.6	19.6

The average monthly number of persons (including executive directors) employed by the Group during the year was 103, all of whom were involved in management and administration activities (2019: 130). Details of the Directors' remuneration can be found in the Directors' Remuneration Report.

10. Taxation

	2020 £m	2019 £m
Current tax		

UK corporation tax on profits for the year	—	—
Foreign tax	**0.1**	0.1
	0.1	0.1
Deferred tax	**0.6**	—
Total tax	**0.7**	0.1

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. The directors continue to believe that the Group qualifies for the Substantial Shareholdings Exemption ("SSE").

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

	2020 £m	2019 £m
Profit/(loss) before tax	**186.1**	(78.8)
Tax at the UK corporation tax rate of 19% (2019: 19%)	**35.4**	(15.0)
Expenses not deductible for tax purposes	**2.8**	4.0
Income not taxable	**(15.7)**	(3.3)
Amortisation on goodwill arising on consolidation	**-**	0.1
Non-taxable income on deconsolidation of Mobilion	**-**	(2.0)
Fair value movement on investments qualifying for SSE	**(27.4)**	9.5
Movement on share-based payments	**0.5**	0.4
Movement in tax losses arising not recognised	**5.1**	6.3
Rate change on foreign tax	**-**	0.1
Total tax charge	**0.7**	0.1

At 31 December 2020, deductible temporary differences and unused tax losses, for which no deferred tax asset has been recognised, totalled £267.1m (2019: £285.4m). An analysis is shown below:

	2020		2019	
	Amount £m	**Deferred tax £m**	Amount £m	Deferred tax £m
Accelerated capital allowances	**(0.3)**	**(0.1)**	(0.7)	(0.1)
Share-based payment costs and other temporary differences	**(8.7)**	**(1.6)**	(13.8)	(2.3)
Unused tax losses	**(258.1)**	**(49.0)**	(270.9)	(46.1)
	(267.1)	**(50.7)**	(285.4)	(48.5)

At 31 December 2020, deductible temporary differences and unused tax losses, for which a deferred tax asset/(liability) has been recognised, totalled £4.0m (2019: £nil). An analysis is shown below:

	2020		2019	
	Amount £m	**Deferred tax £m**	Amount £m	Deferred tax £m
Temporary timing differences	**39.5**	**7.5**	6.1	1.0
Unused tax losses	**(35.5)**	**(6.8)**	(6.1)	(1.0)
	4.0	**0.7**	—	—

11. Earnings/ (Loss) per share

Earnings/ (Loss)	**2020 £m**	2019 £m
Earnings/ (Loss) for the purposes of basic and dilutive earnings per share	**185.4**	(75.4)

Number of shares	**2020 Number of shares**	2019 Number of shares
Weighted average number of ordinary shares for the purposes of basic earnings per share	**1,061,538,297**	1,059,144,595
Effect of dilutive potential ordinary shares:		
Options or contingently issuable shares	**6,664,196**	—
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**1,068,202,493**	1,059,144,595

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).

Earnings per share	**2020 pence**	2019 pence

Basic	**17.47**	(7.12)
Diluted	**17.36**	(7.12)

12. Categorisation of financial instruments

Financial assets	At fair value through profit or loss £m	Amortised cost £m	Total £m
At 31 December 2020			
Equity investments	**1,124.0**	**—**	**1,124.0**
Debt investments	**38.7**	**—**	**38.7**
Limited and limited liability partnership interests	**22.2**	**—**	**22.2**
Trade and other receivables	**—**	**3.6**	**3.6**
Receivable on sale of debt and equity investments	**—**	**15.3**	**15.3**
Deposits	**—**	**142.7**	**142.7**
Cash and cash equivalents	**—**	**127.6**	**127.6**
Total	**1,184.9**	**289.2**	**1,474.1**
At 31 December 2019			
Equity investments	1,021.9	—	1,021.9
Debt investments	23.7	—	23.7
Limited and limited liability partnership interests	21.4	—	21.4
Trade and other receivables	—	5.0	5.0
Receivable on sale of debt and equity investments	—	27.3	27.3
Deposits	—	73.0	73.0
Cash and cash equivalents	—	121.9	121.9
Total	1,067.0	227.2	1,294.2

All financial liabilities are categorised as other financial liabilities and recognised at amortised cost.

In light of the credit ratings applicable to the Group's cash and cash equivalent and deposits, (see note 2 for further details), we estimate expected credit losses on the Group's receivables to be under £0.1m and therefore not disclosed further (2019: 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 (2019: all net fair value gains in the year are attributable to financial assets designated at fair value through profit or loss on initial recognition).

All interest income is attributable to financial assets not classified as fair value through profit and loss.

13. Net investment portfolio

Note 1 includes a description of the fair value hierarchy used.

	Level 1	Level 3		Total £m
	Equity investments in quoted spin-out companies £m	Unquoted debt investments in spin-out companies £m	Equity investments in unquoted spin-out companies £m	
At 1 January 2020	**117.5**	**23.7**	**904.4**	**1,045.6**
Investments during the year	**6.0**	**22.6**	**38.9**	**67.5**
Transaction-based reclassifications during the year	**-**	**(4.9)**	**4.9**	—
Other transfers between hierarchy levels during the year	**0.4**	**(3.6)**	**3.2**	—
Disposals	**(80.7)**	**(0.9)**	**(17.0)**	**(98.6)**
Fees settled via equity	—	—	**0.2**	**0.2**
Change in revenue share(i)	—	—	**(0.9)**	**(0.9)**
Change in fair value in the year(ii)	**40.2**	**1.8**	**106.9**	**148.9**
At 31 December 2020	**83.4**	**38.7**	**1,040.6**	**1,162.7**
At 1 January 2019	133.2	33.1	961.9	1,128.2
Investments during the year	6.3	22.2	36.2	64.7
Transaction-based reclassifications during the year	—	(10.3)	10.3	—
Disposals	(9.0)	(0.1)	(81.6)	(90.7)
Other transfers between hierarchy levels during the year	—	(1.0)	1.0	—
Fair value of investment in Mobilion recognised on deconsolidation	—	—	11.2	11.2
Fees settled via equity	—	—	—	—

Change in revenue share[i]	(0.6)	—	3.4	2.8
Change in fair value in the year[ii]	(12.4)	(20.2)	(38.0)	(70.6)
At 31 December 2019	117.5	23.7	904.4	1,045.6

[i] For description of revenue share arrangement see description below.

[ii] The change in fair value in the year includes a loss of £4.6m (2019: loss of £1.4m) in exchange differences on translating foreign currency investments. The total unrealised change in fair value in respect of Level 3 investments was a gain of £108.7m (2019: loss of £58.2m).

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. In addition to recent financing transactions, significant unobservable inputs used in the fair value measurement include (inter alia) portfolio-company specific milestone analysis, estimated clinical trial success rates, exit ranges, scenario probabilities and discount factors. Where relevant, multiple valuation approaches are used in arriving at an estimate of fair value for an individual asset. Unobservable inputs are typically portfolio-company specific, and therefore cannot be aggregated for the purposes of portfolio-level sensitivity analysis.

In terms of the valuation techniques used in arriving at our fair value estimate, the following table provides an analysis of the portfolio by primary valuation basis, with an associated sensitivity analysis by valuation category. Note that in light of the onset of the COVID-19 pandemic in early 2020, we have amended our analysis of recent financing transactions (formerly 12 months) to reflect the additional judgment required in assessing the continued relevance of financing transactions where more than 9 months has elapsed.

	2020 £m	2019 £m
Quoted	**83.4**	117.7
Recent financing (<9 months)	**286.9**	426.7
Recent financing (>9 months)	**118.1**	279.7
Other valuation methods	**635.6**	197.8
Debt	**38.7**	23.7
Total portfolio	**1,162.7**	1,045.6

The table below summarises the impact of a 1% increase/decrease in the price of unquoted investments by primary valuation basis on the Group's post-tax profit for the year and on equity.

	2020 £m	2019 £m
Recent financing (<9 months)	**2.9**	4.3
Recent financing (>9 months)	**1.2**	2.8
Other valuation methods	**6.4**	2.0
Debt	**0.4**	0.2
Total unquoted portfolio	**10.9**	9.3

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 £0.4m (2019: £nil). 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 such instances in the current period (2019: no such instances).

Transfers between level 3 debt and level 3 equity occur upon conversion of convertible debt into equity.

Change in fair value in the year	**2020 £m**	2019 £m
Fair value gains	**224.8**	86.3
Fair value losses	**(75.9)**	(156.9)
	148.9	(70.6)

The Company's interests in subsidiary undertakings are listed in note 2 to the Company's financial statements.

Revenue share arrangement and corresponding liability

Under the Group's former Technology Pipeline Agreement with Imperial College London, the Group received founder equity in spin out companies from Imperial College. Following any sale of such founder equity stakes, a pre-specified 'revenue share' (typically 50%) is payable to Imperial College and other third parties. As at 31 December 2020, equity investments which were subject to revenue sharing obligations totalled £12.9m (2019: £13.8m). A corresponding non-current liability is recognised in respect of these revenue sharing obligations.

14. Gain on disposal of equity investments

	2020 **£m**	2019 £m
Disposal proceeds	**191.0**	79.5
Movement in amounts receivable on sale of debt and equity investments	**(9.9)**	27.3
Carrying value of investments	**(98.6)**	(90.7)
Profit on disposal	**82.5**	16.1

15. Gain on deconsolidation of subsidiary

During the first half of 2019, MOBILion completed a first close of its Series A investment of £2.9m which did not result in a loss of control by IP Group, and accordingly the proceeds of this issue of equity are disclosed within financing activities in the Group consolidated cash flows

Following a second close of the Series A fundraise, IP Group lost control of the board of MOBILion, resulting in its deconsolidation as a subsidiary and recognition as a portfolio company.

As part of this transaction, net assets including £2.5m of cash were deconsolidated from the Group consolidated statement of financial position, this movement is disclosed within investing activities in the Group consolidated statement of cash flows. The transaction resulted in a gain on deconsolidation of £10.6m, calculated as follows:

	2020 **£m**	2019 £m
Fair value of equity investment recognised	—	11.2
Fair value of subsidiary net assets disposed:		
Cash	—	2.5
Other net liabilities	—	(3.1)
	—	10.6

16. Trade and other receivables

Current assets	**2020** **£m**	2019 £m
Trade debtors	**1.5**	1.4
Prepayments	**0.6**	0.6
Right of use asset	**0.8**	2.1
Other receivables	**0.7**	0.9
	3.6	5.0

The directors consider the carrying amount of trade and other receivables to approximate their fair value. All receivables are interest free, repayable on demand and unsecured.

17. Receivable on sale of debt and equity investments

	2020 **£m**	2019 £m
Deferred consideration	**15.0**	5.3
Short-term receivables	**0.3**	22.0
	15.3	27.3

Deferred & contingent consideration relates to amounts receivable respect of the sale of Enterprise Therapeutics Limited (£13.0m) and Dukosi Limited (£2.0m) (2019: Dukosi Limited (£5.0m), Process Systems Enterprise Limited (£0.3m).

The 2019 short-term receivables relates to £22.0m receivable in respect of shares in Oxford Nanopore Technologies Limited sold on 31 December 2019 and for which payment was received in February 2020.

18. Trade and other payables

Current liabilities	**2020** **£m**	2019 £m
Trade payables	**0.6**	1.4
Social security expenses	**0.8**	0.5
Bonus accrual	**2.8**	2.1
Lease liability	**0.9**	2.1
Payable to Imperial College and other third parties under revenue share obligations (short term)	**2.1**	11.2
Current tax payable	**-**	0.1
Other accruals and deferred income	**3.8**	8.6

	2020	2019
	11.0	26.0

The 2019 amounts payable to Imperial College and other third parties to settle revenue share obligations include £9.7m payable in respect of the disposal proceeds of Process Systems Enterprise Limited, which were settled in January 2020.

19. Borrowings

Non-current liabilities	2020 £m	2019 £m
Loans drawn down from the Limited Partners of consolidated funds	**32.9**	26.0
EIB debt facility	**51.9**	67.1
	84.8	93.1

Current liabilities	2020 £m	2019 £m
EIB debt facility	**15.4**	15.4
	15.4	15.4

Loans drawn down from the Limited Partners of consolidated funds

The loans from Limited Partners of consolidated funds are interest free and repayable only upon the applicable funds generating sufficient returns to repay the Limited Partners. Management anticipates that the funds will generate the required returns and consequently recognises the full associated liabilities. The classification of these loans as non-current reflects the forecast timing of returns and subsequent repayment of loans, which is not anticipated to occur within one year.

EIB debt facility

The Group has a number of debt facilities with the European Investment Bank which it has used to fund UK university spin-out companies as they develop and mature. The terms of the facilities are summarised below:

Description	Initial amount	Outstanding amount	Date drawn	Interest rate	Repayment terms	Repayment commencement date
IP Group Facility, tranche 1	£15.0m	£9.0m	Dec 2015	Floating, linked to LIBOR	5 years	Jan 2019
IP Group Facility, tranche 2	£15.0m	£9.0m	Dec 2017	Fixed 3.016%	5 years	Jan 2019
Touchstone Facility A, tranche 1	£15.0m	£6.6m	Jul 2013	Floating, linked to LIBOR	12 years	Jan 2015
Touchstone Facility A, tranche 2	£15.0m	£8.3m	Jul 2015	Fixed 4.235%	10 years	Jan 2017
Touchstone Facility B	£50.0m	£34.4m	Feb 2017	Fixed 3.026%	9 years	Jul 2018
Total	**£110.0m**	**£67.3m**				

Loans totalling £51.7 (2019: £62.6m) are subject to fixed interest rates and are recognised at amortised cost. The fair value of these loans as at 31 December 2020 is £53.9m (2019 £64.5m).

The IP Group loans contain covenants requiring that the ratio between the value of the portfolio along with the value of the Group's cash net of any outstanding liabilities, and the outstanding debt facility does not fall below 6:1. The Group must maintain that the amount of unencumbered funds freely available to the Group is not less than £15.0m. The Group is also required to maintain a separate bank account which must at any date maintain a minimum balance equal to that of all payments due to the EIB in the forthcoming six months.

The Touchstone loans contain a debt covenant requiring that the ratio of the total fair value of investments plus cash and qualifying liquidity to debt should at no time fall below 4:1. The loan also stipulates that on any date, the aggregate of all amounts scheduled for payment to the EIB in the following six months should be kept in a separate bank account.

The Group closely monitors that the covenants are adhered to on an ongoing basis and has complied with these covenants throughout the year. The Group will continue to monitor the covenants' position against forecasts and budgets to ensure that it operates within the prescribed limits.

The maturity profile of the borrowings was as follows:	2020 £m	2019 £m
Due within 6 months	**7.7**	7.7
Due 6 to 12 months	**7.7**	7.7
Due 1 to 5 years	**48.8**	64.2
Due after 5 years	**3.1**	3.1
Total (i)	**67.3**	82.7

A reconciliation in the movement in debt is as follows:	2020 £m	2019 £m

At 1 January	**82.7**	98.1
Repayment of debt	**(15.4)**	(15.4)
At 31 December[(i)]	**67.3**	82.7

(i) These are gross amounts repayable and exclude costs of £nil (2019: £0.2m) incurred on obtaining the loans and amortised over the life of the loans.

There were no non-cash movements in debt.

20. Share capital

	2020		2019	
Issued and fully paid:	**Number**	**£m**	Number	£m
Ordinary shares of 2p each				
At 1 January	**1,059,144,595**	**21.2**	1,059,144,595	21.2
Issued in respect of post-acquisition services	**3,209,139**	**0.1**	—	—
Issued under employee share plans	**-**	**-**	—	—
At 31 December	**1,062,353,734**	**21.3**	1,059,144,595	21.2

During the year the Company issued 3,209,139 new ordinary shares to satisfy the final proportion of the consideration which has become due in respect of the acquisition of Parkwalk Advisors Limited. The increase in share capital is based on the par value of 2p per ordinary share, while the increase in share premium is equal to 60.79p per ordinary share issued. This issue of shares relates to costs recognised in relation to contingent consideration payable to the sellers of Parkwalk Advisors Limited deemed under IFRS 3 to be a payment for post-acquisition services.

The Company has one class of ordinary shares with a par value of 2p ("Ordinary Shares") which carry equal voting rights, equal rights to income and distributions of assets on liquidation, or otherwise, and no right to fixed income.

21. Operating lease arrangements

The Group leases office premises. Information about leases for which the Group is a lessee is presented below.

Right of use asset	**2020** **£m**	2019 £m
At 1 January	**2.1**	2.7
Additions	**-**	0.5
Depreciation charge for right of use asset	**(1.2)**	(1.1)
At 31 December	**0.9**	2.1

At the reporting date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

Lease Liabilities

Maturity analysis - contractual undiscounted cash flows	**2020** **£m**	2019 £m
Within one year	**0.8**	1.3
In the second to fifth years inclusive	**0.1**	0.9
More than five years	**-**	-
Total undiscounted lease liabilities at 31 December	**0.9**	2.2

Statement of financial position	**2020** **£m**	2019 £m
Current	**0.8**	1.2
Non-current	**0.1**	0.9
At 31 December 2020	**0.9**	2.1

Statement of comprehensive income	**2020** **£m**	2019 £m
Interest on lease liabilities	**0.1**	0.1

Amounts recognised in the statement of cash flows	**2020** **£m**	2019 £m
Total cash outflow for leases	**1.1**	1.2

22. Share-based payments

In 2020, the Group continued to incentivise employees through its LTIP and AIS. Both are described in more detail in the Directors' Remuneration Report.

Deferred Bonus Share Plan ("DBSP")

Awards made to employees under the Group's AIS above a certain threshold include 50% deferred into IP Group equity through the grant of nil-cost options under the Group's DBSP. The number of nil-cost options granted under the Group's DBSP is determined by the share price at the vesting date. The DBSP options are subject to further time-based vesting over two years (typically 50% after year one and 50% after year two).

An analysis of movements in the DBSP options outstanding is as follows:

	Number of options 2020	**Weighted -average exercise price 2020**	Number of options 2019	Weighted -average exercise price 2019
At 1 January	**462,440**	**-**	605,641	-
AIS deferral shares award during the year	**651,324**	**-**	192,106	-
Exercised during the year	**(370,275)**	**-**	(63,370)	-
Lapsed during the year	**-**	**-**	(271,937)	-
At 31 December	**734,489**	**-**	462,440	-
Exercisable at 31 December	8,938	**-**	114,028	-

The options outstanding at 31 December 2020 had an exercise price of £nil (2019: £nil) and a weighted-average remaining contractual life of 0.7 years (2019: 0.5 years).

The weighted average share price at the date of exercise for share options exercised in 2020 was 63.0p (2019: 98.6p).

As the 2020 AIS financial performance targets were met and as the number of DBSP options to be granted in order to defer such elements of the AIS payments as are required under our remuneration policy are based on a percentage of employees' salary, the share-based payments line includes the associated share-based payments expense incurred in 2020.

Long term Incentive Plan ("LTIP")

Awards under the LTIP take the form of conditional awards of ordinary shares of 2p each in the Group which vest over the prescribed performance period to the extent that performance conditions have been met. The Remuneration Committee imposes objective conditions on the vesting of awards and these take into consideration the guidance of the Group's institutional investors from time to time. Further information on the Group's LTIP is set out in the Directors' Remuneration Report.

The 2020 LTIP awards were made on 19 June 2020. The awards will ordinarily vest on 31 March 2023, to the extent that the performance conditions have been met. The awards are based on the performance of the Group's Hard NAV and Total Shareholder Return ("TSR"). Both performance measures are combined into a matrix format to most appropriately measure performance relative to the business, as shown in the Directors' Remuneration Report within the Group's 2020 Annual Report and Accounts. The total award is subject to an underpin based on the relative performance of the Group's TSR to that of the FTSE 250 index, which can reduce the awards by up to 50%. The 2020 LTIP matrix is designed such that up to 100% of the award (prior to the application of the underpin) will vest in full in the event of both Hard NAV increasing by 15% per year on a cumulative basis, from 1 January 2020 to 31 December 2022, and TSR increasing by 15% per year on a cumulative basis from the date of award to 31 March 2023, using an industry-standard average price period at the beginning and end of the performance period. Further, the matrix is designed such that 30% of the award shall vest (again prior to the application of the underpin) if the cumulative increase is 8% per annum for both measures over their respective performance periods ("threshold performance"). A straight-line sliding scale is applied for performance between the distinct points on the matrix of vesting targets.

The 2019 LTIP awards were made on 26 April 2019. The awards will ordinarily vest on 31 March 2022, to the extent that the performance conditions have been met. The awards are based on the performance of the Group's Hard NAV and Total Shareholder Return ("TSR"). Both performance measures are combined into a matrix format to most appropriately measure performance relative to the business, as shown in the Directors' Remuneration Report within the Group's 2019 Annual Report and Accounts. The total award is subject to an underpin based on the relative performance of the Group's TSR to that of the FTSE 250 index, which can reduce the awards by up to 50%. The 2019 LTIP matrix is designed such that up to 100% of the award (prior to the application of the underpin) will vest in full in the event of both Hard NAV increasing by 15% per year on a cumulative basis, from 1 January 2019 to 31 December 2021, and TSR increasing by 15% per year on a cumulative basis from the date of award to 31 March 2022, using an industry-standard average price period at the beginning and end of the performance period. Further, the matrix is designed such that 30% of the award shall vest (again prior to the application of the underpin) if the cumulative increase is 8% per annum for both measures over their respective performance periods ("threshold performance"). A straight-line sliding scale is applied for performance between the distinct points on the matrix of vesting targets.

The 2018 LTIP awards were made on 10 May 2018. The awards will ordinarily vest on 31 March 2021, to the extent that the performance conditions have been met. The awards are based on the performance of the Group's Hard NAV and TSR ("TSR"). Both performance measures are combined into a matrix format to most appropriately measure performance relative to the business, as shown in the Directors' Remuneration Report within the Group's 2018 Annual Report and Accounts. The total award is subject to an underpin based on the relative performance of the Group's TSR to that of the FTSE 250 index, which can reduce the awards by up to 50%. The 2018 LTIP matrix is designed such that up to 100% of the award (prior to the application of the underpin) will vest in full in the event of both Hard NAV increasing by 15% per year on a cumulative basis, from 1 January 2018 to 31 December 2020, and TSR increasing by 15% per year on a cumulative basis from the date of award to 31 March 2021, using an industry-standard average price period at the beginning and end of the performance period. Further, the matrix is designed such that 30% of the award shall vest (again prior to the application of the underpin) if the cumulative increase is 8% per annum for both measures over their respective performance periods ("threshold performance"). A straight-line sliding scale is applied for performance between the distinct points on the matrix of vesting targets.

The 2017 LTIP awards did not meet the threshold performance target and lapsed on 31 March 2020.

The movement in the number of shares conditionally awarded under the LTIP is set out below:

	Number of options 2020	**Weighted-average exercise price 2020**	Number of options 2019	Weighted-average exercise price 2019
At 1 January	**15,659,755**	**-**	12,376,238	-
Lapsed during the year	**(4,372,492)**	**-**	(2,971,286)	-
Forfeited during the year	**(357,136)**	**-**	(764,103)	-
Vested during the year	**-**	**-**	-	-
Notionally awarded during the year	**7,923,182**	**-**	7,018,906	-
At 31 December	**18,853,309**	**-**	15,659,755	-
Exercisable at 31 December	**-**	**-**	-	-

The options outstanding at 31 December 2020 had an exercise price in the range of £nil (2019: £nil) and a weighted-average remaining contractual life of 1.4 years (2019: 1.4 years).

The fair value of LTIP shares notionally awarded during the year was calculated using Monte Carlo pricing models with the following key assumptions:

	2020	2019
Share price at date of award	**£0.614**	£0.991
Exercise price	**£nil**	£nil
Fair value at grant date	**£0.20**	£0.34
Expected volatility (median of historical 50-day moving average)	**38%**	37%
Expected life (years)	**3.0**	3.0
Expected dividend yield	**0%**	0%
Risk-free interest rate	**(0.1%)**	1.0%

Former Touchstone LTIP

In 2017, as a result of the combination with Touchstone, award holders under existing Touchstone long term incentive share schemes were entitled to receive 2.2178 new IP Group shares in exchange for each Touchstone share, an exchange ratio set out in the offer document for the acquisition (the “exchange ratio”).

2016 schemes:

It was proposed that, given the short period of time since grant, awards would not become exercisable in connection with the Offer and therefore that no progress towards meeting performance targets had been made. Instead award holders were offered the opportunity to release their awards in exchange for the grant of a replacement award of equivalent value over shares in IP Group and the exercise price was set at 3.33 pence divided by the exchange ratio. The vesting dates on the replacement awards remained the same as the original award, being 1 December 2020, 1 December 2021 and 1 December 2022. The replacement awards are subject to performance conditions adjusted from those attaching to the original Touchstone award as follows: a) the Net Asset Value (“NAV”) condition will be adjusted to reflect Touchstone’s portfolio being part of the enlarged group following the acquisition and b) the Total Shareholder Return (“TSR”) condition will be adjusted so that TSR shall be measured by reference to the performance of IP Group shares over the performance period with the starting share price for such purpose being adjusted by dividing the existing starting share price of 290 pence by the exchange ratio detailed above. The TTO specific targets remain the same.

	Number of options 2020	**Weighted-average exercise price 2020**	Number of options 2019	Weighted-average exercise price 2019
At 1 January	**740,056**	**-**	1,146,810	-
Forfeited during the year	**(54,452)**	**-**	(406,754)	-
Lapsed during the year	**(267,105)**	**-**	-	-
Vested during the year	**(31,705)**	**-**	-	-
At 31 December	**386,794**	**0.01**	740,056	0.01
Exercisable at 31 December	**-**	**-**	-	-

The options outstanding at 31 December 2019 had an exercise price of 1.366p (2019: 1.366p) and a weighted-average remaining contractual life of 1.2 years (2019: 1.9 years).

2006 schemes:

Holders of 2006 Touchstone awards were offered the opportunity to release each of their awards in exchange for the grant of a replacement award of equivalent value over shares in IP Group. The exercise period and time-based vesting provisions for the replacement awards remained the same as the original Touchstone awards but the shareholder return performance condition will be updated by reference to the exchange ratio. Awards under the 2006 scheme were exercisable to some extent at the time of the grant of replacement awards, subject to meeting the applicable vesting conditions.

	Number of options 2020	Weighted-average exercise price 2020	Number of options 2019	Weighted-average exercise price 2019
At 1 January	**1,078,099**	**-**	1,278,834	-
Forfeited during the year	**-**	**-**	(200,735)	-
At 31 December	**1,078,099**	**2.13**	1,078,099	2.13
Exercisable at 31 December	**1,078,099**	**2.13**	1,078,099	2.13

The options outstanding at 31 December 2019 had an exercise price of £2.13 (2019: £2.13) and a weighted-average remaining contractual life of 3.9 years (2019: 4.9 years).

The fair value charge recognised in the statement of comprehensive income during the year in respect of all share-based payments, including the DBSP, LTIP and Former Touchstone LTIP, was £2.9m (2019: £2.3m).

23. Long Term Incentive Carry Scheme

	2020 £m	2019 £m
At 1 January	**5.5**	6.8
Charge for the year	**14.3**	(1.3)
Payments made in the year	**(0.5)**	—
At 31 December	**19.3**	5.5

See accounting policies note 1 for further details on the on the Group's Long Term Incentive Carry Scheme.

24. Limited and Limited Liability Partnership interests

	£m
At 1 January 2019	17.3
Investments during the year	6.8
Distributions in the year	(2.0)
Change in fair value during the year	(0.7)
At 1 January 2020	**21.4**
Investments during the year	**4.5**
Distributions in the year	**(0.3)**
Change in fair value during the year	**(3.4)**
At 31 December 2020	**22.2**

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

See note 1 for the valuation policy in respect of Limited and Limited Liability Partnership interests.

25. Non-controlling interests

As described in Note 1, IPG Cayman LP and IP Venture Fund II LP are funds which are deemed to be controlled by IP Group, and are accordingly consolidated in the group financial statements. These funds have non-controlling interests of 20% (2019: 11%) and 67% (2019: 67%) respectively.

The following is summarised financial information for IP Group, prepared in accordance with IFRS and modified for differences in the Group's accounting policies. The information is before inter-company eliminations with other companies in the Group.

	IPG Cayman LP 2020 £m	IPG Cayman LP 2019 £m	IP Venture Fund II LP 2020 £m	IP Venture Fund II LP 2019 £m
Profit/(loss) for the year	**2.7**	0.2	**(3.0)**	(3.2)
Profit attributable to NCI	**0.5**	—	**(2.0)**	(2.2)
Current assets	**0.7**	7.2	**0.1**	0.5
Non-current assets	**82.3**	63.3	**24.4**	25.9
Current liabilities	**(0.1)**	—	**(0.3)**	(0.6)
Non-current liabilities	**(77.8)**	(70.7)	**(26.4)**	(25.0)
Net assets	**5.1**	(0.2)	**(2.2)**	0.8
Net assets attributable to NCI	**1.0**	—	**(1.5)**	0.5

Cash flows from operating activities	**5.4**	(4.6)	**0.5**	1.0
Cash flows from investing activities	**(10.6)**	(5.5)	**(1.1)**	(2.3)
Cash flows from financing activities	**—**	—	**—**	—
Net increase in cash and cash equivalents	**(5.2)**	(10.1)	**(0.6)**	(1.3)

26. Related party transactions

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

a) Limited Partnerships

The Group manages a number of investment funds structured as Limited Partnerships. Group entities have a Limited Partnership interest (see note 1) and act as the general partners of these Limited Partnerships. The Group therefore has power to exert significant influence over these Limited Partnerships. The following amounts have been included in respect of these Limited Partnerships:

Statement of comprehensive income	**2020 £m**	2019 £m
Revenue from services	**—**	0.1

Statement of financial position	**2020 £m**	2019 £m
Investment in Limited Partnerships	**—**	5.6
Amounts due from related parties	**—**	**—**

b) Key management transactions
i) Key management personnel transactions

The following key management held shares in the following spin-out companies as at 31 December 2020:

Director/ PDMR	Company name	Number of shares held at 1 January 2020	Number of shares acquired/ (disposed of) in the period	**Number of shares held at 31 December 2020**	%
Alan Aubrey	Accelercomm Limited	638	-	638	0.24%
	Alesi Surgical Limited	18	-	18	0.14%
	Amaethon Limited — A Shares	104	-	104	3.12%
	Amaethon Limited — B Shares	11,966	-	11,966	1.04%
	Amaethon Limited — Ordinary shares	21	-	21	0.32%
	Avacta Group plc 2, 6, 7	271,334	-	271,334	<0.1%
	Boxarr Limited	1,732	-	1,732	0.24%
	Crysalin Limited	1,447	-	1,447	0.13%
	Deep Matter Group plc	2,172,809	-	2,172,809	0.30%
	Deepverge plc 4	51,927	-	51,927	0.42%
	Ditto AI Limited - Ordinary Shares	1,097,912,028	-	1,097,912,028	12.41%
	Ditto AI Limited - B Shares	98,876,568	-	98,876,568	1.12%
	Diurnal Group plc	15,000	-	15,000	<0.1%
	EmDot Limited	15	-	15	0.87%
	Istesso Limited	1,185,150	-	1,185,150	1.05%
	Itaconix plc	88,890	-	88,890	<0.1%
	Karus Therapeutics Limited	223	-	223	<0.1%
	Microbiotica Limited	10,000	-	10,000	<0.1%
	Mirriad Advertising plc	33,333	-	33,333	<0.1%
	Open Orphan plc 2, 3, 6	91,785	-	91,785	<0.1%
	Oxbotica Limited	29	-	29	<0.1%
	Oxford Advanced Surfaces Limited	1	-	1	<0.1%
	Oxford Nanopore Technologies Limited	92,725	-	92,725	0.31%
	Perachem Holdings plc	108,350	-	108,350	0.29%
	Salunda Limited	53,639	-	53,639	<0.1%
	Surrey Nanosystems Limited	453	-	453	0.22%
	Tissue Regenix Group plc	2,389,259	9,785,600	12,174,859	0.17%
	Xeros Technology Group plc 5	228	-	228	<0.1%
	Zeetta Networks Limited	424	-	424	0.13%
Mike Townend	Amaethon Limited — A Shares	104	-	104	3.12%
	Amaethon Limited — B Shares	11,966	-	11,966	1.04%
	Amaethon Limited — Ordinary shares	21	-	21	0.32%
	Applied Graphene Materials plc	22,619	-	22,619	<0.1%
	Avacta Group plc 2, 6	20,001	-	20,001	<0.1%
	Creavo Medical Technologies Limited	117	-	117	<0.1%
	Crysalin Limited	1,286	-	1,286	0.11%
	Deep Matter Group plc	932,944	-	932,944	0.13%
	Deepverge plc 4	66,549	-	66,549	0.46%
	Ditto AI Limited	613,048	-	613,048	<0.1%
	Diurnal Group plc	15,000	-	15,000	<0.1%
	EmDot Limited	14	-	14	0.81%
	Istesso Limited	1,185,150	-	1,185,150	1.05%
	Itaconix plc	64,940	-	64,940	<0.1%
	Mirriad Advertising plc	25,000	-	25,000	<0.1%
	Oxbotica Limited	26	-	26	<0.1%
	Oxford Advanced Surfaces Limited	1	-	1	<0.1%
	Open Ophan Plc 2, 3, 6	91,785	-	91,785	<0.1%
	Oxford Nanopore Technologies Limited	28,651	-	28,651	<0.1%
	Perachem Holdings plc	113,222	-	113,222	0.30%
	Surrey Nanosystems Limited	404	-	404	0.20%
	Tissue Regenix Group plc	1,950,862	9,600,000	11,550,862	0.16%
	Ultraleap Holdings Limited 1	1,224	-	1,224	<0.1%
	Xeros Technology Group plc 5	355	-	355	<0.1%
Greg Smith	Alesi Surgical Limited	2	-	2	<0.1%
	Avacta Group plc 2, 6	3,904	(1,487)	2,417	<0.1%

	Crysalin Limited	149	-	149	<0.1%
	Deepverge plc [4]	73	-	73	<0.1%
	Ditto AI Limited	144,246	-	144,246	<0.1%
	Diurnal Group plc	15,000	-	15,000	<0.1%
	EmDot Limited	4	-	4	0.23%
	Istesso Limited	313,425	-	313,425	0.28%
	Itaconix plc	4,500	-	4,500	<0.1%
	Perachem Holdings plc	4,830	-	4,830	<0.1%
	Mirriad Advertising plc	16,667	-	16,667	<0.1%
	Open Orphan plc [2, 3, 6]	151,510	-	151,510	<0.1%
	Oxbotica Limited	8	-	8	<0.1%
	Oxford Nanopore Technologies Limited	1,537	63	1,600	<0.1%
	Surrey Nanosystems Limited	88	-	88	<0.1%
	Tissue Regenix Group plc	50,000	-	50,000	<0.1%
	Xeros Technology Group plc [5]	14	-	14	<0.1%
David Baynes	Alesi Surgical Limited	4	-	4	<0.1%
	Arkivum Limited	377	-	377	<0.1%
	Creavo Medical Technologies Limited	46	-	46	<0.1%
	Diurnal Group plc	73,000	-	73,000	<0.1%
	Mirriad Advertising plc	16,667	-	16,667	<0.1%
	Oxford Nanopore Technologies Limited	174	-	174	<0.1%
	Ultraleap Holdings Limited [1]	2,600	-	2,600	<0.1%
	Zeetta Networks Limited	424	-	424	0.13%
Mark Reilly	Actual Experience plc	65,500	-	65,500	0.14%
	Bramble Energy Limited	-	16	16	<0.1%
	Ceres Power Holdings plc [2, 6]	5,697	(5,697)	-	<0.1%
	Diurnal Group plc	7,500	-	7,500	<0.1%
	Itaconix plc	-	377,358	377,358	0.09%
	Mirriad Advertising plc	66,666	-	66,666	<0.1%
	Oxbotica Limited	8	-	8	<0.1%
	Ultraleap Holdings Limited [1]	1,700	-	1,700	<0.1%
	Wave Optics Limited	308	-	308	<0.1%
Sam Williams	Accelercomm Limited	127	-	127	<0.1%
	Alesi Surgical Limited	1	-	1	<0.1%
	Avacta Group plc [2, 6]	19,537	(19,537)	-	<0.1%
	Creavo Medical Technologies Limited	23	-	23	<0.1%
	Diurnal Group plc	52,248	33,000	85,248	<0.1%
	Genomics plc	333	-	333	<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%
	Oxehealth Limited	27	-	27	<0.1%
	Oxford Nanopore Technologies Limited	340	445	785	<0.1%
	Topivert Limited	1,000	-	1,000	<0.1%
	Ultraleap Holdings Limited [1]	558	-	558	<0.1%

[1] Previously called Ultrahaptics Holdings Limited.
[2] No longer a portfolio company at the balance sheet date.
[3] Open Orphan plc acquired hVivo plc. Shares were issued 1:2.47, hVivo plc : Open Orphan plc. Open Orphan plc opening position restated post acquisition of hVivo plc.
[4] Deepverge plc acquired Modern Water plc. Shares were issued 10:1, Modern Water plc : Deepverge plc. Deepverge plc opening position restated post acquisition of Modern Water plc.
[5] Xeros Technology Group plc opening position restated following 100:1 share consolidation.
[6] Disclosed number reflects position at the point that the company ceased to be an IP Group holding.
[7] Restated opening position.

ii) Key management personnel compensation

Key management personnel compensation comprised the following:

	2020	2019
	£m	£m

Short-term employee benefits(i)	**3,206**	2,776
Post-employment benefits(ii)	**65**	93
Other long-term benefits	**—**	—
Termination benefits	**—**	—
Share-based payments(iii)	**1,515**	1,195
Total	**4,786**	4,064

(i) 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.
(ii) Represents employer contributions to defined contribution pension and life assurance plans
(iii)Represents the accounting charge for share-based payments, reflecting LTIP and DBSP options currently in issue as part of these schemes. See note 22 for a detailed description of these schemes.

c) 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 arms-length transactions. The following amounts have been included in respect of these fees:

Statement of comprehensive income	2020 £m	2019 £m
Revenue from services	**0.2**	0.5

Statement of financial position	2020 £m	2019 £m
Trade receivables	**0.3**	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	2020 £m	2019 £m
Net portfolio gains/(losses)	**20.9**	(54.2)

Statement of financial position	2020 £m	2019 £m
Equity and debt investments	**500.8**	532.7

d) 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:

Statement of financial position	2020 £m	2019 £m
Intercompany balances with other Group companies	**2.6**	1.5

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

27. 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 new shares or dispose of interests in more mature portfolio companies.

During 2020, the Group's strategy, which was unchanged from 2019, was to maintain healthy cash and short-term deposit balances that enable it to provide capital to all portfolio companies, as determined by the Group's investment committee, whilst having sufficient cash reserves to meet all working capital requirements in the foreseeable future.

The Group has an external debt facility with associated covenants that are described in note 19.

28. 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 2020:

Partnership	Year of commencement of partnership	Original commitment £m	Invested to date £m	Remaining commitment £m
IP Venture Fund II LP	2013	10.0	7.6	2.4
UCL Technology Fund LP	2016	24.8	18.1	6.7
Apollo Therapeutics LLP	2016	3.3	3.0	0.3
Total		**38.1**	**28.7**	**9.4**

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	2020 £m	2019 £m
Hard NAV	Primary statements	Hard NAV is defined as the total equity of the Group less intangible assets. Excluding intangible assets highlights the Group's assets that management can be reasonably expected to influence in the short term and therefore reflects the short-term resources available to drive future performance. Additionally, excluding intangible assets allows better comparison with the Group's competitors, many of which operate under fund structures and therefore would not include intangible assets. The measure shows tangible assets managed by the Group. It is used as a performance metric for directors and employees as a part of annual incentives in the Group.	Total equity	**1,331.9**	1,141.9
			Excluding:		
			Goodwill	**0.4**	0.4
			Other intangible assets	**—**	—
			Hard NAV	**1,331.5**	1,141.5
Hard NAV per share	Primary statements Note 20	Hard NAV per share is defined as Hard NAV, as defined above, divided by the number of shares in issue. The measure shows tangible assets managed by the Group per share in issue. It is a useful measure to compare to the Group's share price.	Hard NAV	**£1,331.5m**	£1,141.5m
			Shares in issue	**1,062,353,734**	1,059,144,595
			Hard NAV per share	**125.3p**	107.8p
Return on Hard NAV	Primary statements, Note 8	Return on Hard NAV is defined as the total comprehensive income or loss for the year excluding charges which do not impact on Hard NAV, specifically amortisation of intangible assets, share-based payment charges and the charge in respect of consideration deemed to represent post-acquisition services under IFRS 3 which is anticipated to be a non-recurring item. The measure shows a summary of the income statement gains and losses which directly impact Hard NAV.	Total comprehensive income	**185.4**	(78.8)
			Excluding:		
			Amortisation of intangible assets	**—**	0.3
			Goodwill impairment	**—**	—
			Share-based payment charge	**2.9**	2.3

			IFRS 3 charge in respect of acquisition of subsidiary (note 8)	**1.2**	2.5
			Return on Hard NAV	**189.5**	(73.7)
Net portfolio gains/(losses)	Note 13	Net portfolio gains are defined as the movement in the value of holdings in the portfolio due to share price movements or impairments in value, gains or losses on realisation of investments and gains or losses on disposals of subsidiaries. The measure shows a summary of the income statement gains and losses which are directly attributable to the portfolio, which is a headline measure for the Group's performance. This is a key driver of the Return on Hard NAV which is a performance metric for directors' and employees' incentives.	Change in fair value of equity and debt investments	**148.9**	(70.6)
			Gain on disposal of equity investments	**82.5**	16.1
			Gain on deconsolidation of subsidiary	**—**	10.6
			Net portfolio gains/(losses)	**231.4**	(43.9)
Net (realisations)/investment	Portfolio review	Net realisations is defined as the net amount realised/invested from/into the portfolio. It is calculated by taking the net amount of the purchases of equity and debt investments, less the proceeds from the sale of equity and debt investments. The measure is used as a KPI for the relative generation or use of cash by the portfolio.	Purchase of equity and debt investments	**(67.5)**	(64.7)
			Proceeds from sale of equity and debt investments	**191.0**	79.5
			Net realisations/(investment)	**123.5**	14.8
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 and is used as a performance metric in the Group's annual incentive scheme. Core overheads exclude items such as share-based payments, amortisation of intangibles and consolidated portfolio company costs	Other income	**6.2**	8.6
			Other administrative expenses (see statement of comprehensive income)	**(29.4)**	(39.1)
			Excluding:		
			Administrative expenses – consolidated portfolio companies	**0.4**	5.4
			IFRS 3 charge in respect of acquisition of subsidiary (note 8)	**1.2**	2.5
			Net overheads	**(21.6)**	(22.6)
Cash and deposits	Primary statements	Cash is defined as cash and cash equivalents plus deposits. The measures gives 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.	Cash and cash equivalents	**127.6**	121.9
			Deposits	**142.7**	73.0
			Cash	**270.3**	194.9

30. Post balance sheet events

In February 2021 IP Group, Inc., the Group's North American platform, secured an additional $50.0m (£36.5m*) of funding, including $40.0m from a new US blue-chip institutional investor. IP Group plc committed $10.0m of funding and now has a 61.3% interest in the North American platform. This brings the total funds raised by the team over the past twelve months to $63.5m, including $15.0m from IP Group plc. This additional funding is consistent with the Group's strategy of financing IP Group, Inc. alongside third-party strategic investors. The funds will support the continued growth of the platform's maturing portfolio as well as its pipeline of new opportunities.

*GBP equivalent using 1.37 USD/GBP