FOR RELEASE ON **16 March 2022**

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

Strong returns, significant cash realisations, capital recycled for growth alongside shareholder returns

IP Group plc (LSE: IPO), the developer of world-changing science and technology businesses, today announces its annual financial results for the year ended 31 December 2021.

2021 highlights

- Profit after tax increase of 142% to £449.3m (2020: £185.4m) with strong performance across all sectors
- NAV[1] of £1,738.1m, up 30%, or 167.0 pence per share (2020: £1,331.9m or 125.3pps)
- Cash realisations[2] of £213.4m (2020: £191.0m)
- Sustained investment into portfolio: £103.7m into 65 companies (2020: £67.5m)
- Recommended final dividend of 0.72p per share (interim dividend of 0.48p per share) and £27.2m of shares bought back of the £35m allocated to the buyback programme; £42.8m total capital returned to shareholders in the year.
- Board changes including Greg Smith appointed as CEO, and David Baynes as CFOO
- Evolved strategy focussed on next generation of portfolio companies within key thematic areas

Portfolio highlights

- Total portfolio value increase of 27% to £1,507.5m[3] (2020: £1,184.9m)
- Net portfolio gains of £497.4m[3] or 43%[4] (2020: £231.4m or 22%)
- Flotation of Oxford Nanopore Technologies plc on the London Stock Exchange, priced at £3.4bn and cash realisation of £84.1m
- Sales of Inivata Ltd to NeoGenomics, Inc, WaveOptics Ltd to Snap, Inc and Kuur Therapeutics Inc. to Athenex, Inc.
- Total primary funds raised by portfolio companies: approximately £2.4bn (FY20: £1.1bn; HY21: £1.0bn) including Oxford Nanopore Technologies plc (£645m), Hinge Health ($400m/£290m), Centessa Pharmaceuticals Ltd ($630m/£457m), Artios Pharma ($153m/£110m), Pulmocide Ltd ($92m/£67m committed, $25m/£18m invested) and Ultraleap (£60m)

Other financial and operational highlights

- Strong Return on NAV of £452.2m, or 34.0% (2020: £189.5m or 16.6%)
- Strong liquidity with gross cash and deposits at 31 Dec 2021 of £321.9m (2020: £270.3m) and net cash[5] of £270.1m (2020: £203.0m)
- North American platform secured additional funding, bringing total raised in the year to $59m (£43m)
- Joint venture formed with China Everbright Ltd to launch first third-party fund in China

Post period-end update

- Bramble Energy Ltd completed £35m investment round
- First Light Fusion Ltd completed $45m (£33m*) Series C fund raise
- Microbiotica Ltd completed £50m Series B financing round
- Completed £35 million share buyback programme; £7.8m purchased in January 2022
- Significant correction in global stock prices, compounded by the war in Ukraine. ONT has fallen from £6.98 at the year end to £4.13 on the 14 of March. A reduction in carrying value of £233m.

[1] Net Assets i.e. total assets less total liabilities

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

[3] Alternative Performance Measure as described in Note 30.

[4] 43% return on opening portfolio value of £1,162.7m

[5] Net Cash is defined as gross cash and deposits less EIB debt

Greg Smith, Chief Executive Officer of IP Group, said: "2021 was a landmark year for IP Group as we celebrated our 20th anniversary by recording our best set of financial results to date, including record profits, cash realisations, portfolio investment, and a return on NAV of almost half-a-billion pounds. It was fitting that some of our most exciting portfolio companies also completed landmark corporate transactions, with the highlight being Oxford Nanopore's multi-billion-pound flotation. Science as a driver for innovation is now widely understood and there is widespread recognition that scientific solutions, and the new technologies they inspire, are needed to address the major challenges facing the world. IP Group's strategy is to increasingly focus on companies tackling those challenges and contribute to a more sustainable, healthier future that is enriched by technological advances. On a personal level, I was proud to take over as CEO from Alan Aubrey towards the end of last year and I am excited about the prospects for what is a quality portfolio of companies with real potential to have significant global impact. We will continue to back them to succeed and, given the current geo-political climate, I am pleased to report that we do so from a very strong financial position."

Webinar

IP Group will host a webinar for analysts and investors today, 16 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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Notes

(i) Nature of announcement

This Annual Results Release was approved by the directors on 15 March 2021.

The financial information set out in this Annual Results Release does not constitute the company's statutory accounts for 2021 or 2020. Statutory accounts for the years ended 31 December 2021 and 31 December 2020 have been reported on by the Independent Auditor. The Independent Auditor's Reports on the Annual Report and Financial Statements for 2021 and 2020 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 2020 have been filed with the Registrar of Companies. The statutory accounts for the year ended 31 December 2021 will be delivered to the Registrar following the Company's annual general meeting.

The 2021 Annual Report and Accounts will be published in April 2022 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

2021 was a transformational year for IP Group in many ways, capped by celebrating our 20th year of existence.

Notwithstanding the continuing COVID-19 constraints, resulting in our colleagues largely working from home during the year, we carefully shepherded our largest investment, Oxford Nanopore Technologies, to its much anticipated and highly successful IPO, generated record profits and cash realisations and paid our first ever dividends.

All this success can be traced back to the careful nurturing of the investments within our portfolio over an extended time period, overcoming many challenges along the way, by an exceptional executive team led by Alan Aubrey, whose individual contribution to the Group's success as its CEO cannot be over-estimated. It is a further reflection of Alan's immense contribution that, as he stood down as CEO in October following the Oxford Nanopore IPO, the Board was delighted to announce Greg Smith, the then CFO, as his successor, marking a smooth leadership transition to an outstanding internal candidate, and one who had worked alongside Alan for over 14 years.

Record Financial Performance in 2021

Financial performance in 2021 surpassed all prior years. While the standout contribution came from the uplift in value from Oxford Nanopore which delivered fair value gains of £297.1m and cash realisations of £84.1m from the sale of a portion of our shareholding at the IPO, our Life Sciences and Technology businesses generated extremely strong performances delivering fair value gains of £78.1m and £103.3m respectively and cash realisations of £83.5m and £44.5m respectively.

In aggregate, Net Asset Value (NAV), the measure that we believe best reflects management performance, rose from £1.3bn at the beginning of the year to £1.7bn as at 31 December, 2021 representing a return of 34%. Within this figure, net cash amounted to £270.1m (2020: £203.0 m).

IP Group is therefore financially strong and liquid and, rare in our sector, almost entirely funded by permanent capital. We believe this gives us strategic advantages in attracting both talent to the firm and encouraging young entrepreneurial companies to join the portfolio, given our ability to commit to long term support where warranted. This permanent capital, essentially, the equity you, our shareholders, entrust to us, also places a significant responsibility on us to invest wisely and with conviction, both to protect and enhance the value of shareholder interests in the Group. We take this responsibility extremely seriously and much of the Board agenda in 2021 was spent giving detailed consideration to the disposition of the value likely, and then actually, to be realised from the Oxford Nanopore flotation, on top of the substantial proceeds derived from realisations elsewhere in the portfolio. These Board discussions were informed by detailed reviews of the main opportunities for further investment in the existing portfolio where many of our portfolio companies raised additional funding in 2021, both from IP Group and co-investors. In 2021, IP Group invested a further £103.7m in the portfolio out of a total of £2.4bn invested from all sources.

We see considerable future value to be realised from the portfolio given its concentration in areas highly relevant to the attainment of the UN's Sustainable Development Goals (SDGs) particularly in cleantech and life sciences where the impact of scientific contribution to addressing challenges like climate change, COVID-19 and ageing demographics is well recognised.

By way of illustration, we have portfolio companies exploring possible solutions to clean energy including nuclear fusion, carbon

capture and storage, clean and green hydrogen production, and long-duration battery technology. In deeptech we have portfolio companies with leading products working to make the internet safer and developing 'virtual touch' technology to make the digital world more human. In the life sciences space, we have exciting opportunities in treating autoimmune diseases, digital solutions to mental health and a range of solutions around early detection of disease and developing immunotherapy and other approaches to improve cancer outcomes.

Greg develops further in his CEO Report the capital allocation framework philosophy we have been discussing as a Board during 2021. We are excited about the opportunities inherent both within the existing portfolio and the investment pipeline and are confident we have the financial resources and talent to make the most of them.

Oxford Nanopore

Clearly the most important event for the Group in 2021 was the IPO of Oxford Nanopore, an event that had been widely anticipated. IP Group was a founding shareholder of Oxford Nanopore in 2005 and held a 14.4% stake in the company in the run up to the flotation; our stake was valued at £359m at 30 June 2021 ahead of the flotation, at the equivalent of £3.50/share. In September, Oracle Corporation committed to become a cornerstone investor in the IPO and invest £150m of new shares at the Offer Price. This interest cemented investor confidence in the IPO which went ahead on 30 September 2021 at an initial price of £4.25/share. IP Group took the opportunity to realise part of its investment alongside other existing shareholders realising approximately £84m. The IPO was successful, with the shares trading up to £6.13 on the day. IP Group has retained just over 82m shares in Oxford Nanopore, representing 10.0% of the company with a market value based on the latest available price of £338.9m.

Other developments

Outside of portfolio company capital raising and realisations, the Group made good progress in developing its international network and access in 2021. IP Group operations both in the US and in Australia and New Zealand reported strong portfolio performances. Building on its track record, IP Group Inc in the US raised an additional $49m from blue chip external institutional investors. In China, where the Group has been exploring how to develop its business, we concluded a joint venture with China Everbright Limited to launch a fund in China aimed, inter alia, at providing growth capital to China-based subsidiaries of IP Group's UK portfolio companies; the fund is planned to increase to RMB1.5 bn (c £167m) over the next three years.

Shareholder Returns

In my report last year, I noted the improvement in share price during 2020 from 71p to 98.9p with the discount to NAV reducing from 34% to 16%. The Board spent considerable time during 2021 monitoring this relationship and considering what further actions could be taken to narrow the gap further. We paid our first dividend of 1p per share following shareholder approval at the AGM and followed this with an interim dividend of 0.48p per share announced with our interim results in August alongside a share buyback programme of £20m, to be actioned when the discount to NAV exceeded a pre-agreed threshold. We added a further £15m to the share buyback program following realisation of approximately £84m of proceeds from the partial sale of our holding in Oxford Nanopore at the IPO in September. During 2021, we completed the buyback of 22 million shares for consideration of £27.2m and a further 6.4 million shares for a consideration of £7.8m have been purchased in 2022.

We were pleased to see the share price rise during 2021 to 123.8p giving a total shareholder return of 26.8% for the year. However, since the year end the share price has retreated in common with many other science-based companies and at the most recent price of 94 pence the discount to NAV based on quoted portfolio values at 14 March has widened to 34%. Narrowing this discount remains a key focus of the Board as it monitors application of the Capital Allocation policy.

Final dividend

The Board is recommending a final dividend of 0.72 pence per share taking the 2021 full-year dividend to 1.2 pence per share (2020:1 pps).

Board Changes

As noted above, Alan Aubrey stepped down as CEO and as a director on 6 October last year, as did CIO Mike Townend, following the successful IPO of Oxford Nanopore. With service to the Group of 16 and 14 years respectively, their contributions to its success have been immense, with the portfolio increasing in value more than 28-fold to over £1.2bn during Alan's tenure as CEO. Mike led some of the most important and complex financings for the Group and its portfolio companies during his time as CIO and he marked his final year by concluding the joint venture with China Everbright which had long been in negotiation, in part to provide an avenue for portfolio companies to access finance for expansion in China. We are delighted that both Alan and Mike will continue to serve as consultants to the Group for at least twelve months from April 2022.

We also bade farewell to Professor David Begg at the 2021 AGM after nine years of service as an independent Non-executive Director. David joined the Board following the acquisition of Touchstone and served as Senior Independent Director, in which capacity he was an exceptional mentor and sounding board for the executive team, his Board colleagues and indeed myself as Chairman.

On behalf of the Board, our executive colleagues, and shareholders I want to record our deep appreciation of the commitment and dedicated service of Alan, Mike and David and wish them well in the next chapters of their careers.

Following an extensive process facilitated by an external executive search firm Greg Smith emerged as the standout candidate to succeed Alan as CEO and took on these responsibilities on 6 October. David Baynes added the Board finance role vacated by Greg to become Chief Financial and Operating Officer. As of today's date, the Board comprises two executive directors, four non-executive directors and the Chairman: four men and three women.

Outlook

As I write this report, the world is confronting the horrors of military aggression within Europe, a scenario that many had thought was consigned to history books. How this plays out is well beyond our control or understanding. While difficult times lie ahead, many of our areas of focus, in particular cleantech, have even greater relevance in a scenario where Europe seeks to reduce dependency on Russian oil and gas. Reassuringly, we entered 2022 in a very strong financial position and with a maturing portfolio offering considerable opportunities for future value delivery. Management succession has been secured and a revised executive leadership structure put in place with greater diversity which is operating well. Science-led investment is a core part of UK Government policy to play to the strengths of the country's academic and science institutions, a policy that plays also to IP Group's interests and strengths. The major challenges facing the world – climate change, a lower carbon future, biodiversity loss and health concerns all require science-led solutions to which we aspire to contribute.

Our colleagues have proved hugely resilient throughout the coronavirus restrictions and challenges and on behalf of shareholders I want to formally recognise their commitment and dedication which together delivered the results we are now reporting.

Sir Douglas Flint
Chairman

15 March 2022

CHIEF EXECUTIVE'S OPERATIONAL REVIEW

Introduction

This is my first Chief Executive's report to shareholders having taken on the role in October. As I remarked then, it is an exciting time to be taking on the role of CEO and I am honoured to lead the Group into its next phase of growth.

In 2021, the year in which the Group marked its 20th anniversary, some of our most exciting companies completed landmark corporate transactions, the highlight being the multi-billion-pound flotation of Oxford Nanopore on the London Stock Exchange in the Autumn, proving our business model. As a result, 2021 was an extremely strong year in terms of financial performance, with the Group generating a return on NAV of almost half a billion pounds and ending the year with net cash of £270m.

Coming off a record year and a position of real strength, I have spent time working with the leadership team to reflect on what we have learnt and define how we will take on the next two decades and build the next generation of companies that will change the world. The short-term backdrop has brought a greater level of uncertainty and volatility caused by current macro-economic trends and geopolitical turbulence, not least the horrific situation in Ukraine. Longer-term, we continue to believe that the Group is extremely well placed to benefit from the increased recognition, stimulated by the international response to COVID-19, that scientific innovations are required to address many of the world's most pressing challenges and opportunities. I am pleased to be able to outline the main elements of our strategy that I believe will be essential to building on IP Group's successes and driving value for all stakeholders as we look to the next 20 years.

I would like to echo Sir Douglas' comments and express my, and the Group's, thanks to both Alan and Mike for the significant contributions they have made to the Group's development during their tenures. I would also like to thank David Baynes, who has taken on the combined role of Chief Financial and Operating Officer. David and I have enjoyed working closely with Alan and Mike to shape and deliver the Group's strategy over many years and will take forward the benefits of that experience during the Group's next chapter. In addition to the changes at Board level, this year we constituted a wider Executive Committee, including two new Employee Executive appointments. Finally, I would like to formally record my thanks to all of my colleagues at IP Group who, for another year, showed extraordinary resilience throughout 2021 and continued to operate very effectively whilst working remotely for most of the year.

In 2021, we took the opportunity to reduce our UK head office footprint and relocate to London's Knowledge Quarter in Kings Cross. My colleagues and I look forward to welcoming and working closely with our stakeholders, hopefully increasingly in person again, in 2022 and beyond.

Purpose, vision & strategy: increasing focus

The Group's purpose has been founded on the principle of evolving science and innovation into world-changing businesses. Doing so will remain a fundamental part of the Group's approach. Our vision is a better future through the impact of science and technology-based businesses we have identified, backed, and grown together as long-term partners.

An underlying theme in our strategy to achieve this is one of increasing focus. Firstly, we are increasingly focussing our capital, resources, and expertise on clear thematic areas. These areas are driven by seeking to have a meaningful impact on the world.

Secondly, our greatest returns and impact have come where we have created and accelerated companies addressing the biggest societal need and investment opportunity. We will focus more of our capital and resource to support the acceleration of those businesses whose addressable market, differentiators, and progress we consider most compelling. This will include supporting our businesses to access capital across the funding spectrum, including through increasing levels of third-party capital being managed by the Group. This will enable us to be more proactive and systematic in our value creation.

Thirdly, we will continue the work that I have led over recent years to evolve and successfully apply our Capital Allocation Policy to build the business sustainably for the next 20 years. Our shareholder value proposition comprises primarily capital growth over the medium term, alongside the return of a proportion of cash realisations in the form of growing dividends and, where appropriate, other mechanisms such as buybacks. Narrowing the discount to our NAV/share is a key focus of the Board in applying this approach.

This thematic focus and acceleration of leading businesses is strengthened by the Group's international footprint. Our presence in four major markets in the UK, US, Australia and New Zealand, and China provides us with unique global insight into the technology and market themes that will shape markets, and access to the best new technology-based businesses wherever they originate. This international presence provides a capability to support our existing businesses as they scale and grow globally, and access to international sources of capital to accelerate this growth.

Thematic focus areas

The Group is increasingly focusing on companies whose products and services will meaningfully contribute to a:

- sustainable future,
- healthier future, and
- tech-enriched future.

Given the breadth of fundamental innovation in science and technology these themes will not be exhaustive. We will build on and leverage our networks and the insight generated from 20 years of identifying, backing, and growing science-based businesses to continue to evaluate new areas of opportunity.

In five years', time, IP Group aspires to be tackling some of the world's biggest problems and will have significant investments, presence, and influence in our focus sectors. We aspire to have contributed to the building of many more category-leading businesses and to have created at least one valued at more than $10bn.

As an example of this strategy, this year we plan to accelerate the Group's successful track record in building companies contributing to a sustainable future through the launch of the first evergreen platform focussed on cleantech. This strategic initiative will be owned and funded by the Group and will build on the Group's existing portfolio, currently valued at approximately £100m. We currently envisage an investment opportunity of approximately £200m over five years, with the potential for a significant proportion to be invested into our maturing portfolio companies.

Three focus holdings

Further detail on the approaches being followed by our teams in each thematic area is set out in the Portfolio Review. To further exemplify the potential for the creation of further category-defining businesses, we have highlighted one company within each thematic area and articulated the nearer term milestones and opportunity. A short summary is as follows:

Theme and company	Ownership, IP Group value, Total company value	Milestones achieved	Value creation milestones
Tech-enriched future Featurespace Limited *Leading predictive analytics for fraud and cybercrime prevention*	19.5% £51.6m £278m[1]	Completion of $45m Series C 2020 revenues: £21m 5-year compound annual growth rate in recurring revenue of 74% 68 customers (Dec 2021)	Customer acquisition and revenue growth Faster growth rate than projected market growth of 30%
Healthier future Istesso Limited *Reprogramming metabolism to treat autoimmune disease*	56.4% £85.6m £150m	200 subjects dosed with lead product MBS 2320 Positive Phase 2 proof of concept data achieved	MBS 2320 Phase 2b data H12024 Expansion of programme into multiple diseases areas/proof of concept studies Second product into clinic Start Phase 3 trial early 2025
Sustainable future First Light Fusion *Solving fusion power with the simplest machine possible*	28.4% £57.2m £200m	Commissioning of hyper-velocity gas gun reactor	Validated fusion reaction Series D fundraise High impact scientific publication Specify gain reactor (Machine 4)

[1] Company funding round value as at May 2020

Business model

Our core business model continues to be to acquire equity holdings, typically at an early stage, and to grow the value of those holdings, before selling down in whole or part over time to maximise returns. Where appropriate, the Group will also seek to leverage more capital and resources to facilitate the acceleration of individual companies, sectors or geographies. This will continue to include a proportionate level of debt and building the fund management side of our business to capture more of the investment value chain as our portfolio companies mature and scale.

Our people

The success of IP Group depends on the quality of our people across a broad range of disciplines and across our portfolio companies. We are committed to building an environment which allows us to attract, retain and engage exceptional people. Flexibility is a key driver of our approach, and we empower our people to choose the environment most appropriate to achieving their targets and goals, and to best support their colleagues. Our new smaller and more modern UK head office is consistent with this. We continue to place huge importance on the value of inclusion and diversity in all its forms in our team and culture, and this was considered when establishing our Executive Committee last year. Its composition included a pioneering move to create two new 'Employee Executive' positions to increase diversity of thought. I have personally sponsored the launch of our ID Project (Inclusion and Diversity) as we have ambitions to be market-leading in this field.

Recent market context

There has been significant short-term uncertainty with rising inflation and interest rates as well as geopolitical concerns, greatly exacerbated by Russia's recent invasion of Ukraine, which is causing volatility in equity markets globally including a reduction in risk appetite, particularly for fast-growth companies. This has also exacerbated reductions in appetite for, and valuations of, companies in specific sectors that had commenced during 2021, a notable example being biotech. The Group's recent share price performance has been disappointing. Oxford Nanopore's share price has fallen 41% since the start of the year, translating to a £233m fall in value for IP

Group, while the value of our quoted portfolio has fallen 40% in total. Increased protectionism and nationalism around funding, owning, and developing 'innovations of strategic importance' also remains a theme and there is evidence of increased competition for investment opportunities and talent. Having acted to ensure that the Group has a strong level of liquidity, IP Group remains well placed to support its portfolio companies through this period of uncertainty and is confident that appetite for growth companies will return.

Financial results

In terms of financial performance, the Group had a very strong year, generating a Return on NAV of £452.2m, or 34% (2020: £189.5 or 17%). In addition, the Group again achieved record cash realisations totalling £213.4m (2020: £191.0m) and finished the year with £270m of net cash (2020: £203.0m).

Overview of Portfolio and Business unit performance

The performance of our Portfolio and Business Units is summarised below with more detail in the portfolio review:

	Invested	Realisations	Net Portfolio Gains/(losses)	FY as at 31 December 2021	Simple return on capital %
Strategic	£21.3m	£84.6m	£300.7m	£607.8m	81%
Life Sciences	£33.5m	£83.5m	£78.1m	£414.9m	20%
Deeptech	£6.7m	£41.7m	£72.4m	£226.3m	34%
Cleantech	£11.9m	£2.8m	£30.9m	£100.9m	52%
United States*	£12.5m	-	£7.9m	-	12%
Australia and New Zealand	£10.4m	-	£7.5m	£25.2m	103%
Organic, De minimis & third parties	£7.4m	£0.8m	(£0.1m)	£39.5m	n/m*
LP funds	*n/a*	*n/a*	*n/a*	*£92.9m*	*n/m**
Gross Portfolio	***£103.7m***	***£213.4m***	***£497.4m***	***£1,507.5m***	***27%***

** Prior to de-consolidation in November 2021, now reflected within LP funds. As result, movements in third parties and LP funds are not measurable*

Strategic

The principal strategic portfolio company holding is Oxford Nanopore. Oxford Nanopore has had an incredibly successful couple of years, playing a key role in the COVID-19 pandemic response by helping identify new strains of the virus as it mutates, and completing a successful listing on the London Stock Exchange. We are incredibly proud of all that Gordon Sanghera and his team have done in growing Oxford Nanopore to the company that it is today. Having provided the initial seed funding to the business in 2005, we are pleased to have played a key role in its development and to be the largest single shareholder post-IPO, with a holding of 10%.

Due to its materiality, the Executive Committee (ExCo) and Board ultimately oversee our holding in Oxford Nanopore and have developed a considered approach to the holding, aimed at capturing value for stakeholders and ensuring stakeholders benefit from the time and capital invested in that company. Given the differentiation of Oxford Nanopore's product offering and the size and anticipated growth of their addressable markets, we believe the company has the potential to become one of the largest and most profitable technology businesses listed on the London market, notwithstanding the recent reduction in the company's share price. From a financial perspective, the company had a very strong 2021 and issued three upgrades to its revenue guidance post-IPO, the most recent of which noted that the company expected to report core Life Science Research Tools ("LSRT") revenues above £120m, compared to LSRT revenue of £65.5m in 2020, annual growth of more than 80%. As a result of this, as well as the opportunity to build value from our experience and relationship with the team, Oxford Nanopore will remain a significant part of the Group's story for the foreseeable future.

Life Sciences: a healthier future

The portfolio saw a second year of strong gains with an uplift of £78.1m (2020: £85.1m) representing a simple return on opening portfolio value of 22%. The largest single contributors to this full year result were Hinge Health (+£32 million), Invata (+£31m) and Athenex/Kuur (+£11m). While there were some write-downs in the portfolio, totalling £24m, these are inevitable as we have adopted a more focussed investment approach in recent years.

Deeptech: a tech-enriched future

Deeptech also had a very strong year, delivering uplifts in value of £72.4m (2020: £6.6m). This included significant realisations from WaveOptics, Perpetuum and Inflowmatix. The valuation uplift included contributions from WaveOptics, Ultraleap, Featurespace and SaltPay, the latter of which tripled its value during the year.

Cleantech: a sustainable future

Our cleantech portfolio had a strong year with uplifts of £30.9m. This was primarily due to First Light Fusion, which completed a financing after continuing to make strong technical progress during the period. Post period-end, Bramble Energy, our next fuel cell business after our successful exit of Ceres Power during 2020, also made significant advances, completing a substantial funding round in early 2022. We will use our expertise, experience and networks in the fuel cell market to support the acceleration of the company. More broadly, the team have now mapped out the key technologies which it believes will represent the best venture-backed opportunities as we transition to net zero.

North America

With IP Group Inc, we believe we have created a vehicle that is fit for being the leader in the US market, with blue-chip, long-term local capital providers, deep relationships with a number of research institutions and a great team with years of experience of building science-based companies. The scale of US markets and research output suggest that the opportunity and capital requirement could be substantially larger than the UK market alone.

The portfolio saw net gains of £7.9m and the total value of the platform is now nearly $200m. Key events included MOBILion's $60m crossover funding in July, and Exyn who completed an interim funding, with plans for a more significant funding early in 2022. During the year the platform also secured a total of $59m in new capital, including $10m from IP Group. On a fully diluted basis the Group now owns 58% of this platform and, given the shared influence of the other owners of the platform, it was determined that the holding should be deconsolidated and presented as a fund investment. We do not envisage this significantly affects the strategic relationships and collaboration opportunities between the US and other Group teams.

Australia and New Zealand

The Australian portfolio delivered fair value uplifts of A$14.6m against an opening portfolio of A$12.9m, which included significant funding rounds at Canopus and Alimetry. There are currently 15 investments in the portfolio, including the recently established Hysata, which is developing a highly effective electrolyser as a key enabling technology for the hydrogen transition. Further detail on Hysata, an opportunity that we believe has the potential to become one of our most compelling companies, is provided in the full annual report.

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 £540m in third party capital across our Parkwalk, UK and Australian business units. Parkwalk, the Group's specialist EIS fund management subsidiary, now has assets under management of £388m (FY20: £350m) including alumni funds managed in conjunction with the universities of Oxford, Cambridge, Bristol, and Imperial College London. In Australia, the Group agreed an additional commitment of A$75m (c.£40m) from HostPlus, increasing the total size of the IP Group HostPlus Innovation Fund to A$210m (c.£110m). This fund has invested in several of IP Group's portfolio companies around the world, providing additive growth capital for companies as they scale. The team also intends to support our portfolio companies by introducing them to investors in the Greater China region once the necessary regulatory permissions have been obtained. We are aiming to continue growing the level of funds under management in the coming years.

Shareholder value creation, capital allocation and returns

The Board recognises that share price volatility and the discount or premium to NAV per share has been a major issue for shareholders over the years and so was pleased to receive almost unanimous shareholder support for its recommended maiden dividend, which was paid to shareholders in June, and the authority to make market purchases of up to 10% of the Group's shares, provided those shares are trading at a discount to NAV per share.

Following another successful year of realisations in 2021, the Board allocated a proportion of the capital from these realisations for return to shareholders through dividends and a £35m share buyback programme, which commenced in October 2021 and finished in January 2022. The Group now holds 29,708,621 of its ordinary shares in treasury. The Group announced and paid its first interim dividend of 0.48p per share in August and September respectively, bringing total dividend payments during 2021 to 1.48p per share. This represented 1p per share for 2020 and 0.48p per share for 2021.

The Board continues to consider that shareholder returns will be driven primarily by long-term capital appreciation. The Board remains committed to delivering a regular dividend income, which is intended to comprise a relatively small component of total shareholder return. We will also continue to consider share buyback programmes and other capital return tools as we generate further realisations from our portfolio.

Consistent with this approach, the Board is recommending a final dividend of 0.72p per share, to be approved at the Company's forthcoming AGM, with an optional scrip dividend programme allowing shareholders to choose to receive dividends in the form of fully paid shares in IP Group plc in lieu of cash. Further, the Board will seek shareholder approval to renew the authority to purchase up to 10% of the Ordinary Shares in issue from the date of grant of the authority to the date of the Annual General Meeting in 2023. Such purchases will only be made at a discount to the prevailing 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.

Outlook

While the macro-economic trends and geopolitical concerns are causing significant short-term uncertainty and volatility, IP Group is in a strong financial position with net cash and deposits of £270.1m and the Group's portfolio companies are typically well funded, having raised approximately £2bn in aggregate in 2021.

Maintaining a strong level of liquidity remains extremely important in this environment to ensure that the Group can support its high conviction companies and existing portfolio companies, as well as invest in promising new opportunities.

The Group is committed to further growing its NAV per share, as the next generation of impactful science-based companies grow to increasing maturity and prominence alongside our current lead company, Oxford Nanopore. We are also committed to closing the current discount to NAV and to creating further value for stakeholders and are excited by the significant number of opportunities within the existing portfolio.

Greg Smith

Chief Executive Officer

15 March 2022

PORTFOLIO REVIEW

Our portfolio: Substantial realisations and significant portfolio progression

Overview

As at 31 December 2021, the value of the Group's portfolio (excluding LP fund investments) was £1,414.6m (2020: £1,162.7m) reflecting a net portfolio gain of £497.4m (2020: gain £231.4m) and net cash realisations of £109.7m (2020: £123.5m). The portfolio consists of interests in 44 'focus' companies, representing 89% of the portfolio value, and 56 other companies (2020: 43, 84%, 88).

Performance summary

Summary of the Income Statement gains and losses that are directly attributable to the portfolio:

	2021 £m	2020 £m
Unrealised gains on the revaluation of investments	**474.4**	224.8
Unrealised losses on the revaluation of investments	**(63.1)**	(71.3)
Effects of movement in exchange rates	**4.6**	(4.6)
Change in fair value of equity and debt investments	**415.9**	148.9
Gain on disposals of equity investments	**81.5**	82.5
Net portfolio gains/(losses)	**497.4**	231.4

Summary of the largest unrealised & realised gains and losses by portfolio company:

Gains	**£m**	**Losses**	**£m**
Oxford Nanopore Technologies plc	297.1	Azuri Technologies Limited	(8.6)
Hinge Health, Inc.	32.3	Actual Experience plc	(8.1)
First Light Fusion Limited	31.7	Creavo Medical Technologies Limited	(7.1)
Inivata Limited	30.7	Mirriad Advertising plc	(5.5)
Wave Optics Limited	27.2	Karus Therapeutics Limited	(3.2)
Other quoted	14.8	Other quoted	(10.1)
Other private	128.6	Other private	(22.4)
Total	**562.4**	**Total**	**(65.0)**

Investments and realisations

The Group deployed a total of £103.7m across 65 new and existing projects during the period (2020: £67.5m, 65 projects), versus realisations of £213.4m (2020: £191.0m), resulting in overall net realisations for the year of £109.7m (2020: £123.5m).

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

	2021 £m	2020 £m
Top 20	**51.4**	**23.6**
Focus	**14.1**	**14.5**
Other (including companies exited by year end)	**8.7**	**14.6**
Total United Kingdom	**74.2**	**52.7**
United States[1]	**19.1**	**11.5**
Australia and New Zealand	**10.4**	**3.3**
Total purchase of investments	**103.7**	**67.5**
Less cash proceeds from sales of investments	**(213.4)**	**(191.0)**
Net realisations	**(109.7)**	**(123.5)**

[1] United States investment total includes £6.0m (2020: £2.1) invested in MOBILion Systems, Inc. and £1.1m (2020: £1.8m) invested in Uniformity Labs, Inc., which are in the Top 20 holdings by value.

Largest investments and realisations by portfolio company:

Investments	£m	Cash Realisations	£m
Oxford Nanopore Technologies plc	18.7	Oxford Nanopore Technologies plc	84.1
MOBILion Systems, Inc.	6.0	Inivata Limited	64.6
First Light Fusion Limited	5.0	Wave Optics Limited*	29.5
Pulmocide Limited	4.7	Hinge Health, Inc.	10.9
Carisma Therapeutics Limited	4.3	Inflowmatix Limited	4.9
Other	65.0	Other	19.4
Total	**103.7**	**Total**	**213.4**

*Plus deferred consideration valued at £23.9m

Deferred consideration of £42.3m was outstanding at year end (2020: £15.0m), predominantly relating to the Group's realisation of WaveOptics (£23.9m), Enterprise Therapeutics (£14.0m, exited in 2020) and Kuur Therapeutics (acquired by Athenex) (£4.3m).

Portfolio company numbers

	United Kingdom	United States	Australia & New Zealand	Total
1 January 2021	92	27	12	131
Additions	4	2	2	8
Transfer of Apollo Therapeutics from LP interests	1	-	-	1
Exited	(7)	-	-	(7)
Deconsolidation of United States portfolio	-	(29)	-	(29)
Reclassified to de minimis & organic	(4)	-	-	(4)
31 December 2021	**86**	**-**	**14**	**100**

Co-investment analysis

Including the £103.7m invested by the Group, the Group's portfolio raised a total of £2.4bn during the year to 31 December 2021 (2020: £1.1bn). Co-investment in 2021 came from more than 230 different investors, excluding individuals, and only 6% of the funding came from parties with a greater than 1% shareholding in IP Group plc (2020: more than 170 investors, 2%). An analysis of this co-investment by source is as follows:

Portfolio capital raised	**2021**		2020	
	£m	%	£m	%
IP Group [1]	**102.6**	**4%**	**67.5**	**6%**
Funds managed by Parkwalk Advisors	**0.3**	**0%**	**6.0**	**1%**
IP Group plc shareholders (>1% holdings)	**147.1**	**6%**	**20.0**	**2%**
Institutional investors	**658.0**	**28%**	**575.0**	**54%**
Corporate, other EIS, individuals, universities and other	**1,473.3**	**61%**	**365.9**	**35%**
Capital into multi-sector platforms	**25.1**	**1%**	**20.0**	**2%**
Total	**2,406.4**	**100%**	**1,054.4**	**100%**

[1] Reflects primary investment only; in 2021 the Group made £1.1m investment via secondary purchase of shares (2020: £nil).

Portfolio analysis by focus

At 31 December 2021, the Group's portfolio fair value of £1,414.6m was distributed across the portfolio as follows:

	As at 31 December 2021				As at 31 December 2020			
	Fair value		**Number**		Fair value		Number	
Stage	**£m**	%		%	£m	%		%
Top 20 by value	**1,129.5**	**82%**	**20**	**20%**	**813.6**	**74%**	**20**	**15%**
Focus	**122.3**	**9%**	**24**	**24%**	**114.0**	**10%**	**23**	**18%**
Other	**123.3**	**9%**	**56**	**56%**	**178.6**	**16%**	**88**	**67%**
Total	**1,375.1**	**100%**	**100**	**100%**	**1,106.2**	**100%**	**131**	**100%**
De minimis and organic holdings	**10.4**				**11.9**			
Total Portfolio	**1,385.5**				**1,118.1**			
Attributable to third parties[1]	**29.1**				**44.6**			
Gross Portfolio	**1,414.6**				**1,162.7**			

[1] Amounts attributable to third parties consist of £16.0m attributable to minority interests represented by third party limited partners in the consolidated fund, IP Venture Fund II (2020: £16.3m), £11.7m attributable to Imperial College London (2020: £10.3m), £1.4m attributable to other third parties (2020: £2.7m) and £0.0m attributable to minority interests represented by third party limited partners in the United States portfolio, which was consolidated until November 2021 (2020: £15.3m).

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. 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 because 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 Oxford Science Enterprises ("OSE") and Cambridge Innovation Capital ("CIC"), organic investments and de minimis holdings) is approximately £20bn (2020: £7bn).

Portfolio analysis by sector

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

	As at 31 December 2021				As at 31 December 2020			
	Fair value		**Number**		Fair value		Number	
Sector	**£m**	**%**		**%**	£m	**%**		%
Strategic	**607.8**	**45%**	**4**	**4%**	370.6	34%	4	3%
Life Sciences	**414.9**	**30%**	**36**	**36%**	392.5	35%	40	31%
Deeptech	**226.3**	**16%**	**34**	**34%**	212.5	19%	36	27%
Cleantech	**100.9**	**7%**	**12**	**12%**	58.8	5%	12	9%
United States	**-**	**0%**	**-**	**0%**	64.5	6%	27	21%
Australia and New Zealand	**25.2**	**2%**	**14**	**14%**	7.3	1%	12	9%
Total	**1,375.1**	**100%**	**100**	**100%**	1,106.2	100%	131	100%
De minimis and organic holdings	**10.4**				11.9			
Total portfolio	**1,385.5**				1,118.1			
Attributable to third parties[1]	**29.1**				44.6			
Gross portfolio	**1,414.6**				1,162.7			

[1] Amounts attributable to third parties consist of £16.0m attributable to minority interests represented by third party limited partners in the consolidated fund, IP Venture Fund II (2020: £16.3m), £11.7m attributable to Imperial College London (2020: £10.3m), £1.4m attributable to other third parties (2020: £2.7m) and £0.0m attributable to minority interests represented by third party limited partners in the United States portfolio, which was consolidated until November 2021 (2020: £15.3m).

PORTFOLIO REVIEW: STRATEGIC

Greg Smith
Chief Executive Officer

The strategic portfolio is a cross-country and cross-sector portfolio. Its principal asset is the Group's holding in Oxford Nanopore Technologies which, due to its size and significance, is managed directly by the Chief Executive Officer with assistance from the leadership team. This fund also contains some smaller holdings in multi-sector platform companies that operate in a similar way to IP Group but focus on a specific university, such as Oxford Sciences Enterprises (Oxford) and Cambridge Innovation Capital (Cambridge), and a small number of other holdings where the Group has made additional strategic investments. A summary of the key holdings is as follows:

Company name	**Description**	**Group Stake at 31 Dec 2021[1] %**	**Net investment/ (divestment) £m**	**Unrealised + realised fair value movement £m**	**Fair value of Group holding at 31 Dec 2021 £m**
Oxford Nanopore Technologies plc	Enabling the analysis of any living thing, by any person, in any environment	**10.0**	(53.1)	297.1	**572.0**
Oxford Science Enterprises plc	University of Oxford preferred IP partner under 15-year framework agreement	**2.3**	–	2.7	**23.3**
Other companies (2 companies)			2.0	0.9	**12.5**
Total			**(51.1)**	**300.7**	**607.8**

mm

Oxford Nanopore

2021 was another incredible year for Oxford Nanopore, a company that IP Group co-founded in 2005 and which remains our most valuable holding. Shares in Oxford Nanopore were admitted to trading on the London Stock Exchange in October, valuing it at approximately £3.4bn. The flotation was extremely well supported, garnering strong global interest from blue chip investors, and provides strong validation of IP Group's approach to creating and supporting world-changing businesses.

IP Group sold approximately £84m of shares at the IPO price and, consistent with the Group's Capital Allocation Policy, allocated £15m of that amount towards buybacks of its own shares. Following the sale, IP Group continues to hold 82,062,144 shares, or 10% of Oxford Nanopore, valued at £339m as at 14 March 2022.

Oxford Nanopore is behind a new generation of nanopore-based sensing technology, whose products enable the real-time, high-performance, scalable analysis of DNA and RNA – the analysis of anything, by anyone, anywhere. Its sequencing technology has been used for rapid, distributed sequencing of SARS-CoV-2, the virus that causes COVID-19, in both local and national public health systems in more than 85 countries. From initial characterisation of the SARS-CoV-2 virus genome to the rapid identification and tracking of variants, researchers worldwide have been utilising nanopore sequencing to generate data essential to combating the spread of COVID-19. This work came after a history of nanopore sequencing being used to sequence a broad range of pathogens from viruses to drug resistant bacteria.

Since the flotation, Oxford Nanopore has issued three upgrades to revenue guidance, the most recent of which noted that it expected to report core Life Science Research Tools ("LSRT") revenues above £120m, compared to LSRT revenue of £65.5m in FY20, representing annual growth more than 83%. Previous guidance for LSRT revenue was £105-111m. Further, the Group announced it expected to report total revenue above £126m, compared to total revenue of £113.9m in FY20.

Other highlights

Oxford Nanopore has continued to make excellent technical progress and announced in January 2022 that the fastest DNA sequencing of a human genome had been recorded using its technology. In one case, it took five hours and two minutes, setting the first Guinness World Records title for fastest DNA sequencing technique. Scientists from Oxford Nanopore Technologies, NVIDIA, Google, and others worked with a research team led by Euan Ashley, MB ChB, DPhil, professor of medicine, of genetics and of biomedical data science at the Stanford University School of Medicine, to develop a whole genome nanopore sequencing approach that can characterise pathogenic variants in as little as 7 hours and 18 minutes - faster than any previously published approach in clinical samples.

The company also announced several technical advances, including a range of product releases and upgrades, in December at its 'community meeting'. These included the announcement of PromethION 2 (P2) - a palm-sized, high-throughput sequencer that delivers the most accessible low-cost, high-output sequencer that can run up to two high-throughput PromethION Flow Cells.

Multi-sector platform companies

The Group has shareholdings in two multi-sector platform companies, Oxford Science Enterprises ("OSE") (formerly Oxford Science Innovation (OSI)) and Cambridge Innovation Capital ("CIC"). As at 31 December 2021, IP Group has a 2.3% holding in OSE valued at £23.3m and a 0.9% holding in CIC valued at £2.7m (2020: 2.3%, £20.6m, 1.0%, £3.1m).

As a result of its 15-year framework agreement with the University of Oxford, OSE 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 2021 OSE has continued to support its existing portfolio, and as of 31 December 2021 £146.3m further investment had been made during the year (2020: £93.0m), taking the total invested by OSE since inception close to £450m. Total portfolio value at 31 December 2021 was £618m (2020: £425m), up 45% in the year, and net cash was £242m (2020: £412m). Net asset value per share had risen 2% to 147.5p. Profit for the year was £21.2m (2020: £168.2m).

Other holdings

In addition to the holdings described above, the strategic unit includes certain other portfolio companies. 2021 saw an additional strategic investment of £0.9m in MOBILion Systems, Inc. alongside 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 another year of strong performance in 2021, with a closing portfolio value of £415m and net portfolio gains of £78m, representing a 20% return. This builds on 2020's 27% return. We believe we are seeing several factors contribute to this performance: First, the benefit of the hard work taken in 2018 and 2019 to consolidate the Touchstone and IP Group portfolios, with companies now on a more stable budgetary and strategic footing; second, fundamental performance of some of our focus assets, most obviously manifested in two successful exits during the year; and third, IPG's early approach to seed investment across a wide range of businesses bearing fruit in the form of Hinge Health."

In life sciences, we are working towards a healthier future with a view to cure and prevention of disease rather than simply treating symptoms, while creating a healthier - rather than just longer - life. The three pillars of our approach are: a) reprogramming cells to change their behaviour from the diseased mode to healthy mode; b) reconditioning tissues to improve response to existing therapies; and c) redirecting patient behaviour to reduce risk. Companies that exemplify this are Istesso (reprogramming cells to treat autoimmunity), PsiOxus (reconditioning tumours to enhance cancer immunotherapy), Genomics plc (redirecting patient behaviour to mitigate the risk of, for example, cardiovascular disease). Underpinning all of these approaches is a better understanding of the root drivers of disease, such as the human microbiome, in which we are invested via Microbiotica, and genetics where, of course, Oxford Nanopore plays a critical role via the provision of tools for reading the genomes of patients and pathogens, alike. Finally, in terms of our ultimate goal of finding cures rather than symptomatic relief, a perfect example lies in Pulmocide Limited's novel antifungicide, PC945, which promises to save the life of patients with invasive, life-threatening pulmonary Aspergillus infection. A summary of the key holdings is as follows:

Company name	Description	Group Stake at 31 Dec 2021[i] %	Net investment/ (divestment) £m	Unrealised + realised fair value movement £m	Fair value of Group holding at 31 Dec 2021 £m
Istesso Limited	Reprogramming metabolism to treat autoimmune disease	**56.4**	–	–	**85.6**
Hinge Health, Inc.	The World's First Digital Clinic for Back and Joint Pain	**1.8**	(6.0)	32.3	**63.5**
Diurnal Group plc	Novel products for the treatment of rare endocrine disorders	**29.5**	4.1	(1.3)	**27.5**
Ieso Digital Health Limited	Digital therapeutics for psychiatry	**32.2**	2.9	2.2	**21.8**
Centessa Pharmaceuticals plc	Advancing a portfolio of high conviction programs with strong biological validation	**2.8**	–	2.0	**21.1**
Crescendo Biologics Limited	Biologic therapeutics eliciting the immune system against solid tumours	**17.5**	2.8	3.7	**18.8**
Artios Pharma Limited	Novel oncology therapies	**7.6**	3.6	(3.1)	**17.8**
Mission Therapeutics Limited	Targeting deubiquitylating enzymes for the treatment of CNS and mitochondrial disorders	**19.0**	1.6	–	**15.4**
PsiOxus Therapeutics Limited	Gene and viral therapies for cancer	**25.2**	3.3	–	**15.4**
Oxular Limited	Treatments and delivery technology for sight-threatening diseases	**27.2**	2.7	–	**14.6**
Other companies (26 companies)			(23.8)	42.3	**113.4**
Total			**(8.8)**	**78.1**	**414.9**

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

Review of the Year

During the year, the life sciences portfolio saw net portfolio gains of £78m or 20%. This strong performance was driven largely by four major events:

1. the £30.7m gain from the sale of Inivata Ltd to NeoGenomics, Inc., which in May announced it had decided to exercise its option to acquire the remainder of the company for a total consideration of US$390m, returning £64.6m in cash to the Group.
2. the £32.3m gain from Hinge Health's Series E financing in November, in which it raised $400m at a value of $5.7bn, valuing IPG's 2% stake at £63.5m.
3. the £9.3m gain from the sale of Kuur Therapeutics Inc. to Athenex, Inc., which acquired the company for a total potential consideration of US$185m; and
4. the £5.8m gain from Iksuda's Series A financing, in which it raised $47m in a round led by Korea-based Mirae Asset Capital and its subsidiaries, with Celltrion Inc. and Premier Partners, and as part of which the Group agreed to sell $5m of its stake in Iksuda to Celltrion, resulting in a £5.8m uplift in value.

Other notable events in the portfolio included:

1. Pulmocide Ltd's Series C investment round with US$92m of commitments and US$25m invested in the first tranche, to which IP Group committed $10m; following completion and investment of the second tranche of £2.5m we hold a 14% undiluted beneficial stake in the company, valued at £10.6m.
2. EMA approval of Diurnal Group plc's Efmody for the treatment of congenital adrenal hyperplasia (CAH) and its launch across various European territories.
3. Artios Pharma Ltd's collaboration with Novartis to discover and validate next generation DDR targets to enhance Novartis's Radioligand Therapies, signed in April, and the company's announcement in July of the completion of a US$153m Series C investment round.
4. Ieso Digital Health Ltd's £39m Series B investment round to develop clinical software treatments built on the world's largest mental health treatment data set. IP Group committed £6.1m to the funding round and now holds an undiluted beneficial holding of 32.2%, valued at £21.8m.

The above successes reflect positive portfolio company progress as well as an attractive environment for life sciences businesses, particularly from a capital markets perspective in the first half of the year. While the environment hardened somewhat in the final quarter of the year (and into early 2022), we believe the fundamentals of the Life Sciences division provide for a positive outlook in 2022. Key potential milestones anticipated include:

- the start of Phase 2b studies for Istesso Limited's rheumatoid arthritis drug MBS2320;
- the start of Phase 3 for Pulmocide Limited's novel anti-fungal PC945; and
- at least one potential NASDAQ IPO, depending on the markets.

PORTFOLIO REVIEW: TECHNOLOGY

Mark Reilly
Managing Partner, Technology

In our deeptech team, we are working towards a tech enriched future. Investing in assets that will enable digital resilience, create prosperity, and enable new human capability. We target differentiated, defensible innovations with a strong value proposition and the potential to disrupt a multibillion-dollar global market. Key focus areas include cybercrime and fintech (Featurespace and Garrison), next gen networks, (Accelercomm), human-machine interface (Ultraleap and WaveOptics) and neuromorphic and quantum computing (Oxford Quantum Circuits and Quantum Motion). A summary of the key holdings is as follows:

Company name	Description	Group Stake at 31 Dec 2021[i] %	Net investment/ (divestment) £m	Unrealised + realised fair value movement £m	Fair value of Group holding at 31 Dec 2021 £m
Featurespace Limited	Leading predictive analytics company	**19.5**	–	14.8	**51.6**
Ultraleap Holdings Limited	Contactless haptic technology "feeling without touching"	**17.4**	2.0	9.6	**35.5**
Garrison Technology Limited	Anti-malware solutions for enterprise cyber defences	**23.4**	–	2.1	**25.7**
Salt Pay Co. Limited	Mobile payments with integrated loyalty schemes	**Not disclosed**	–	16.8	**24.6**
Other companies (30 companies)			(35.3)	29.1	**88.9**
Total			**(33.3)**	**72.4**	**226.3**

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

Deeptech Portfolio

2021 has been a successful year for the Deeptech portfolio, which delivered net fair value gains of £72.4m, or 34% and £41.7m of realisations.

In May 2021, the US-listed social media company Snap, Inc. acquired our portfolio company WaveOptics for a consideration in excess of US$0.5bn, which we believe to be one of the UK's largest ever venture-backed deeptech exits, delivering an immediate uplift of £24.6m in the value of our holding. The consideration was split into two equal tranches, the first of which was paid upon completion in May and the second will become due 24 months from completion. The first tranche of consideration was paid in Snap, Inc. shares and IP Group sold these shares shortly afterwards at a premium to their issue price, delivering initial cash proceeds of £29.4m.

World-leading interface company Ultraleap completed a £60m Series D round of investment in a round led by new investor Tencent with additional significant participation from British Patient Capital through their Future Fund, Breakthrough and CMB International. Existing investor Mayfair Equity Partners also supported the round and IP Group invested £2.5m. The transaction resulted in an £11.6m[1] fair value uplift to our holding. The fundraise reflects Ultraleap's continued good commercial progress with strong demand from AR/VR and Out-Of-Home markets for licensing the company's technology. Following the multi-year co-operation agreement signed in late 2020 to pre-integrate Ultraleap technology into Qualcomm's Snapdragon XR2 5G reference design, high-performance VR/XR market leader Varjo™ launched two of its latest headsets integrated with Ultraleap's fifth generation hand tracking.

Elsewhere in the portfolio, the Group registered an uplift in the value of our holding in Artificial Intelligence fraud prevention company Featurespace reflecting the company's continued strong commercial growth. We were pleased to see our cybersecurity company Garrison announce sales growth of over 150% in the year to March 2021 despite pandemic disruption. Continued strong demand from Garrison's government customers (including the UK Government and US Federal Government) and significant expansion with key commercial accounts including UK retail bank Lloyds Banking Group contributed to revenues of more than US$10m.

[1] Of the fair value movement noted above £2.2m is attributable to the third-party limited partner in the consolidated fund, IP Venture Fund II L.P.

Our portfolio company Navenio, which is tackling the rising cost of healthcare by deploying its ground-breaking indoor location technology to increase productivity by up to 100% in healthcare institutions, freeing up clinical resources to focus on patient care, announced a $12.6m fundraise late in 2021.

In June, it was announced that our portfolio asset Inflowmatix, a water data analytics spinout from Imperial College London, had been acquired by the utility company Suez, returning a modest profit on our £4m invested capital.

Despite encountering an increasingly competitive environment for early-stage opportunities, the Deeptech team invested a total of £3.7m in three new pipeline opportunities during 2021, two of which were sourced from the University of Oxford: Diffblue Limited and Quantum Dice Limited, and a third, Monolith AI an Imperial College spin-out into which we made our first investment this year.

During the period, we saw a £8.1m fair value reduction in our holding of Actual Experience plc and a £5.5m fair value reduction in our holding of Mirriad plc, reflecting a reduction in the quoted share price of those two companies. We realised £4.7m through a partial sale of our holding in Actual Experience in early 2021 prior to the substantial drop in its share price later in the year.

Cleantech Portfolio

In our Cleantech team we are working towards a sustainable future; investing in assets that address the global climate challenge. We target breakthrough innovators creating scalable climate technology solutions. Our focus areas include, renewable electricity and alternative fuels, mobility and transport, land use, greenhouse gas capture/removal and storage, climate risk and change management, food, and agriculture. A summary of the key holdings is as follows:

Company name	Description	Group Stake at 31 Dec 2021[i] %	Net investment/ (divestment) £m	Unrealised + realised fair value movement £m	Fair value of Group holding at 31 Dec 2021 £m
First Light Fusion Limited	Solving fusion with the simplest possible machine	**28.4**	5.0	31.8	**57.3**
Oxbotica Limited	Software to enable every vehicle to become autonomous	**14.3**	0.9	0.4	**16.3**
Other companies (10 companies)			5.7	(1.3)	**27.3**
Total			**11.6**	**30.9**	**100.9**

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

The Cleantech portfolio again delivered substantial value growth in 2021 with overall net fair gains of £30.9m or 52%, predominantly driven by the successful fundraise at our portfolio company First Light Fusion, which is researching energy generation by inertial confinement fusion. The company announced in May that it had commissioned the UK's largest two-stage gas gun at its facility near Oxford. The 22-metre-long asset can launch a projectile at hyper velocities of up to 6.5 kilometres per second (20 times the speed of sound). The gun launches projectiles into a vacuum chamber that impact "targets" containing fusion fuel. The targets are designed to focus impacts to create the conditions for fusion. Gas guns are a relatively well characterised experimental technology for plasma physics research, and the new gun will complement First Light's electromagnetic propulsion device "Machine 3" allowing engineers to explore a different parameter space by launching larger but slower projectiles. First Light has successfully fired its first test shots and has begun fusion experimental shots on the new device.

In January, Oxbotica, the Oxford spin-out which has become a global leader in autonomous vehicle software, raised a US$47m Series B round from investors across the globe including Australia, China, UK, and the USA. The funding will accelerate Oxbotica's deployment of its world-class autonomy software across multiple industries and key markets. The backing is an endorsement of Oxbotica's distinctive proposition, with its 'universal autonomy' that can be deployed in multiple different use cases, rather than being tied to a particular use case as some competitors are. The funding was followed in April by the announcement of a commercial collaboration with leading online grocery platform Ocado focusing on hardware and software interfaces for autonomous vehicles, enhancing and integrating Oxbotica's autonomy software platform into a variety of vehicles.

In February, C-Capture, our portfolio company with ground-breaking technology for carbon capture, completed an £8m convertible debt funding round from a syndicate comprising existing shareholders IP Group, Drax and BP Ventures and joined by the UK Government's Future Fund. The investment reflects the confidence of C-Capture shareholders in the company's technology, and the government's support for companies that have the potential to help solve the climate crisis. The investment will be used to optimise the company's carbon capture technology, improving performance whilst driving down costs. C-Capture has been working on its patented chemistry for over a decade and is becoming seen as a leader in the emerging sector of carbon removal, with applications across a wide range of sectors in clean energy.

In November, the Cleantech team attended the first week of the COP26 Climate Summit in Glasgow, which was a busy and productive week involving meetings with climate investors, corporates, policy makers and the press. Our work as a member of the Energy Transitions Commission (ETC) was influential in key achievements arising from the Summit, including agreements on methane emissions and reforestation. We also hosted a live showcase of IP Group's cleantech portfolio companies including Bramble Energy, First Light Fusion, C-Capture, RFC Power and Mixergy with Lord Adair Turner, chair of the Energy Transitions Commission, providing a keynote speech. We used COP26 to announce a new investment: the formation of a joint venture with advanced propulsion technology company Reaction Engines and the Science and Technology Facilities Council (STFC). The venture will leverage breakthroughs in heat exchanger and catalyst science to develop catalytic cracker reactors to enable ammonia as a zero-carbon fuel for hard to decarbonise sectors. Sticking with the hard-to-abate sectors, in December we also completed a seed investment in OxCCU, a spin-out from the University of Oxford with technology to synthesise "green" hydrocarbon fuels directly from carbon dioxide and hydrogen. These new pipeline investments are part of our plan to build a branded climate investment initiative, focussing on technologies fundamental to the transition to net zero. We will announce further details of this ambitious initiative in 2022.

In a less welcome development, 2021 was a very challenging year for our portfolio company Azuri Technologies which provides consumer electronics powered by solar to customers in Africa. COVID-19 has hit the countries in which Azuri operates hard with a much deeper and longer-lasting detrimental economic impact than has so far been seen in Europe. We have reduced the value of our holding by £8.6m as a result.

Post period-end, in February 2022 fuel cell company, Bramble Energy completed a £35m investment round.

PORTFOLIO REVIEW: NORTH AMERICA

Company name	Description	Group Stake at 31 Dec 2021[i] %	Net investment/ (divestment) £m	Unrealised + realised fair value movement £m	Fair value of Group holding at 31 Dec 2021 £m
MOBILion Systems, Inc.	A platform technology for conducting ion mobility separations	**17.1**	0.9	6.7	**23.0**
Uniformity Labs, Inc.	Equipment, materials and software for additive manufacturing	**17.3**	(3.4)	0.2	**11.4**
Other companies (27 companies[ii])			10.5	0.9	**50.9**
Total			**8.0**	**7.8**	**85.3**

(i) Represents the Group's undiluted beneficial economic equity interest (excluding debt), including only the Group's portion of IPVF II and interest in the United States portfolio, which is no longer consolidated. Voting interest is below 50%.

(ii) No longer included within reported companies number post de-consolidation of IPG Cayman LP

It's been a transformational year for IP Group, Inc., and its portfolio investments. The team completed a funding round totalling $59m, led by a new US institutional investor, following which the Group owns approximately 58% of the US platform. It strengthened its board with appointment of Varun Chandra, Managing Partner of Hakluyt & Company. Greg Smith also joined the Board in October, when Alan Aubrey stood down as CEO of the Group. He joins David Baynes, who has sat on the Board since 2015. As it looks to 2022, the company is seeing strong interest in its platform from institutional investors and is well positioned to continue to make transformative investments. As outlined above, we no longer consolidate this platform but hold it as an investment more consistent with our other portfolio holdings.

The US portfolio companies continued to make progress, achieving many developmental and financial milestones over the year. The team completed three portfolio company investment rounds and two new proof of concept investments from Johns Hopkins and the University of Washington, bringing the total number of US investments to 29.

Carisma Therapeutics announced a clinical study collaboration with Merck to evaluate their proprietary targeted chimeric antigen receptor macrophages. The company was also granted Fast Track designation by the U.S. Food and Drug Administration for its treatment of patients with solid tumours. Uniformity Labs completed a $38.35m Series B, which included an investment to finance plant construction from a fund managed by Orion Resource Partners. MOBILion Systems closed a $60m Series C financing round and announced its first commercial High-Resolution Ion Mobility (HRIM) product, MOBIE, which addresses characterization challenges faced during biopharmaceutical drug development and quality monitoring. Exyn Technologies announced a partnership with NSS (Northern Survey Supply) in Canada and Tunoptix appointed veteran technology entrepreneur and venture capitalist George Lauro to its board of directors.

i. Represents the Group's undiluted beneficial economic equity interest (excluding debt), including only the Group's portion of IPVF II and interest in the United States portfolio, which is no longer consolidated. Voting interest is below 50%.

PORTFOLIO REVIEW: AUSTRALIA AND NEW ZEALAND

In Australia and New Zealand, the Group has continued to make significant progress, with positive progress in the portfolio and a new A$75m commitment from Hostplus to the IP Group Hostplus Innovation Fund.

Over the course of the year the team invested a total of A$19.3m and achieved fair value gains of A$14.6m across the portfolio.

The portfolio now stands at 14 companies in total. Selected financings and operational milestones include:

- Canopus Networks, a company developing AI-based real time network analytics, raised A$10m+ in December to expand into 5G, gaming and international markets.
- Additive Assurance, which has developed AMiRIS to provide quality assurance for additive manufacturing, announced a partnership with Volkswagen in November.
- Alimetry, developers of a pioneering device for the diagnosis of gastric diseases by non-invasively sensing the activity of the stomach from the body surface, raised NZ$16m in a funding round led by Movac.
- Hysata, a company developing a new type of hydrogen electrolyser, continue to make strong progress towards their goal of bringing A$2/kg green hydrogen within reach; and
- RAGE Biotech and Jetra Therapeutics announced follow-on funding rounds led by IP Group.

COVID-19 has continued to impact the Australian team and the Group's university partners in the region, and the team have been working to support companies and partners through these challenges. The university sector in Australia stands to benefit from the announcement of the A$1.6bn Australia's Economic Accelerator package by the Federal Government which will provide significant support for commercialisation activities.

In terms of capital, the Group continues to work with Hostplus, one of Australia's largest superannuation funds with over A$73bn in funds under management through the A$100m IP Group Hostplus Innovation Fund. Since the year-end, the Group announced a new commitment of A$75m (c.£40m) from HostPlus, increasing the total commitment to A$210m (c.£110m*). The IP Group HostPlus Innovation Fund has invested in several IP Group's portfolio companies around the world, providing additive growth capital for companies as they scale. These include Oxford Nanopore Technologies, WaveOptics and Ultraleap in the UK, MOBILion Systems in the US and Canopus Networks in Australia.

THIRD PARTY FUND MANAGEMENT: PARKWALK ADVISORS

Parkwalk, the Group's specialist EIS fund management subsidiary, now has assets under management of £388m (2020: £350m) 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.

Investments were made across a range of technologies including multiple cleantech subsectors, mobility, sensors, healthcare, med-tech, digital health, AI and quantum software, fibre optics and materials.

Parkwalk invested £52.2m (2020: £29.7m) in the university spin-out sector across 39 companies (2020: 35 investments). Twenty-one new companies joined the Parkwalk portfolio, and seven exits were achieved, four for positive returns and three for losses. This brings Parkwalk's total cumulative exit proceeds to £95.0m (2020: £44.6m) which have been distributed to investors. In November, Parkwalk won the Growth Investor Awards 'Most Impactful Investment' and 'Best New Product' awards.

Over the year, Parkwalk liaised closely with BEIS and HMT on improving the financial ecosystem for knowledge-intensive spin-out companies post-COVID-19. 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.

Over the year, Parkwalk continued to see some of its larger investments mature with larger funding rounds closing with new and existing investors.

Since the period end, Parkwalk has launched its second HMRC-approved Knowledge Intensive EIS Fund following the successful raise of Fund I in 2021.

Portfolio review: Additional portfolio analysis

	Deeptech	Cleantech	Life Sciences	Strategic	Organic and De minimis	Total UK Portfolio
Value of companies in the portfolio	£226.3m	£100.9m	£414.9m	£607.8m	£10.4m	£1,360.3m
2021 net portfolio gain/(loss) (realised and unrealised)	£72.4m	£30.9m	£78.1m	£300.7m	(£4.9m)	£477.2m
Number of portfolio companies[1]	34	12	36	4	n/a	86
Proceeds from holdings sold in 2021	£41.7m	£2.8m	£83.5m	£84.6m	£0.8m	£213.4m
Attention:						
Top 20	£137.4m	£73.6m	£301.5m	£602.7m	–	£1,115.2m
Focus	£56.1m	£23.0m	£45.0m	–	–	£124.1m
Other	£32.8m	£4.3m	£68.4m	£5.1m	–	£110.6m
Organic and *De minimis*	–	–	–	–	£10.4m	£10.4m

United States	Australia and New Zealand	Total Net Portfolio	Attributable to third party investors in VF II	Revenue share	Total Gross Portfolio	
–	£25.2m	£1,385.5m	£29.1m	£13.1m	£1,414.6m	Value of companies in the portfolio
£7.9m	£7.5m	£492.6m	£4.8m	–	£497.4m	2021 net portfolio gain/(loss) (realised and unrealised)
–	14	100	–	–	100	Number of portfolio companies[1]
–	–	£213.4m	–	–	£213.4m	Proceeds from holdings sold in 2021
						Attention:
–	–	£1,115.2m	£7.9m	£0.1m	£1,123.2m	Top 20
–	£3.3m	£127.4m	£5.3m	£2.8m	£135.5m	Focus
–	£21.9m	£132.5m	£2.8m	£2.4m	£137.7m	Other
–	–	£10.4m	–	£7.8m	£18.2m	Organic and *De minimis*

FINANCIAL REVIEW

David Baynes
Chief Financial and Operating Officer

"Another outstanding year of portfolio performance and realisations, with strong contributions from across the Group in addition to the impact of the listing of Oxford Nanopore. However total performance should also be viewed in light of a significant weakening of technology values in the New Year, including in Oxford Nanopore itself."

- **Profit for the year of £449.3m (2020: £185.4m).**
- **Net assets of £1,738.1m (2020: £1,331.9m), representing 167.0p per share (2020: 125.4p).**
- **Final 2020 dividend of 1pps and 2021 interim dividend of 0.48pps.**

Consolidated statement of comprehensive income

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

	2021 £m	2020 £m
Net portfolio gains (1)	**497.4**	**231.4**
Change in fair value of limited and limited liability partnership interests	**1.8**	**(3.4)**
Net overheads (2)	**(19.5)**	**(21.6)**
Administrative expenses – consolidated portfolio companies	**(0.1)**	**(0.4)**
Loss on disposal of subsidiary	**(3.8)**	**—**
Administrative expenses – share-based payments charge	**(2.6)**	**(2.9)**
IFRS 3 charge in respect of acquisition of subsidiary	**—**	**(1.2)**
Carried interest plan charge	**(17.2)**	**(14.3)**
Net finance expense	**(1.4)**	**(1.5)**
Taxation	**(5.3)**	**(0.7)**
Profit for the year	**449.3**	**185.4**
Other comprehensive income	**0.3**	**—**
Total comprehensive income for the year	**449.6**	**185.4**
Exclude:		
Share-based payment charge	**2.6**	**2.9**
IFRS charge in respect of acquisition of subsidiary	**—**	**1.2**
Return on NAV[1]	**452.2**	**189.5**

[1] Defined in note 30 Alternative Performance Measures.

[2] See net overheads table below and definition in note 30 Alternative Performance Measures.

Net portfolio gains consist primarily of realised and unrealised fair value gains and losses from the Group's equity and debt holdings in spin-out companies, which are analysed in detail in the portfolio review on pages 8 to 17.

Net overheads

	2021 £m	2020 £m

Other income	**13.6**	6.2
Administrative expenses – all other expenses	**(28.3)**	(24.8)
Administrative expenses – Annual Incentive Scheme	**(4.8)**	(3.0)
Net overheads	**(19.5)**	**(21.6)**

Year ended 31 December 2021	**UK £m**	**Non-UK £m**	**Consolidated £m**
Other income	**10.6**	**3.0**	**13.6**
Administrative expenses – all other expenses	**(21.9)**	**(6.4)**	**(28.3)**
Administrative expenses – Annual Incentive Scheme	**(3.9)**	**(0.9)**	**(4.8)**
Net overheads	**(15.2)**	**(4.3)**	**(19.5)**

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)**

Other income

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. In 2021 Other income totalled £13.6m (2020: £6.2m), a 118% increase from 2020 primarily due to increased fund management revenues within Parkwalk, the Group's EIS fund management business, which saw a successful year's performance in 2021 and which in the previous year had been constrained by the impact of COVID-19. Additionally; £1.8m of the increase in revenue was due to an increase in license income from the Group's portfolio of IP from its previous role as the Tech Transfer Office of Imperial College and £2.7m due to performance fees in respect of third-party funds managed within our Australian business.

Other central administrative expenses

Other central administrative expenses excluding performance-based staff incentives and share-based payments charges, have increased to £28.3m during the period (2020: £24.8m), primarily because of additional payroll costs and the one-off non-cash impact of the termination of the Group's lease on its former office at 25 Walbrook, which will be offset in future years from savings from the new 3 Pancras Square office.

The charge of £4.8m in respect of the Group's Annual Incentive Scheme (2020: £3.0m), reflects performance against 2021 AIS targets as described in the Directors Remuneration Report.

Other income statement items

The share-based payments charge of £2.6m (2020: £2.9m) reflects the accounting charge for the Group's Long-Term Incentive Plan and Deferred Bonus Share Plan. This non-cash charge reflects the 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. These represent an increasingly small number as it relates either to dormant or new early-stage businesses with a low level of overheads.

Carried interest plan charge

The carried interest plan charge of £17.2m (2020: £14.3m) 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. As a result of realisations at a Group level in 2021, payments of £3.5m were made to scheme participants (2020: £0.5m).

Consolidated statement of financial position

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

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Total portfolio	**1,507.5**	**1,184.9**
Other non-current assets	**32.0**	**1.2**
Cash and deposits	**321.9**	**270.3**
EIB debt facility	**(51.8)**	**(67.3)**
Other net current liabilities	**(6.4)**	**7.9**
Other non-current liabilities	**(65.1)**	**(65.1)**
Total Equity or Net Assets ("NAV")	**1,738.1**	**1,331.9**
NAV per share	**167.0p**	**125.4p**

The composition of, and movements in, the Group's portfolio is described in the Portfolio review on pages 8 to 17.

Total portfolio

Our total portfolio consists of equity and debt investments that we control and consolidate directly, our 'Investment Portfolio', plus interests in LP funds, most significantly our holding in IPG Cayman LP, our US platform, which is now reflected within this category following its deconsolidation in November 2021 (see further detail below).

Investment Portfolio Valuation Basis

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.

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Quoted	**662.7**	**83.4**
Recent financing <12 months (2020: <9 months)	**383.4**	**286.9**
Recent financing >12 months (2020: >9 months)	**65.6**	**118.1**
Future market/commercial events	**37.8**	**438.9**
Adjusted recent financing price based on past performance	**142.3**	**92.4**
DCF / Revenue multiple	**100.0**	**104.3**
Debt	**22.8**	**38.7**
Investment portfolio	**1,414.6**	**1,162.7**

Top 20 Portfolio Companies by holding value

The following table lists information on the 20 most valuable portfolio company investments, which represent 75% of the total portfolio value (2020: 69%). Detail on the performance of these companies is included in the Life Sciences, Deeptech and Cleantech portfolio reviews.

Company name	Significant named co-investors	Primary valuation basis	Fair value of Group holding at 31 Dec 2021 £m
Oxford Nanopore Technologies plc	LSE quoted	Quoted bid price	**572.0**
Istesso Limited	Puhua Capital	*DCF	**85.6**
Hinge Health, Inc.	Atomico Advisors, Bessemer, Coatue, Insight, Lead Edge, Tiger Global	Recent financing (< 12 months)	**63.5**
First Light Fusion Limited	OSI, Hostplus, Tencent, Braavos	Recent financing (< 12 months)	**57.3**
Featurespace Limited	Highland Europe, Insight, Invoke, MissionOG, TTV Capital, Robert Sansom, Merian Chrysalis	*Adjusted funding	**51.6**
Ultraleap Holdings Limited	Cornes, Dolby Ventures, Hostplus, Mayfair Partners	Recent financing (< 12 months) *	**35.5**
Diurnal Group plc	AIM quoted	Quoted bid price	**27.4**
Garrison Technology Limited	BGF, Dawn Capital, NM Capital	*Adjusted funding	**25.7**
Salt Pay Co. Limited	Not disclosed	Recent financing (< 12 months)	**24.6**
Oxford Science Enterprises plc	Blue Pool, Fosun Pharma, Invesco, Lansdowne, Redmine, Sequoia, Temasek, Tencent	Recent financing (< 12 months)	**23.3**
Ieso Digital Health Limited	Morningside, Molten Ventures	Recent financing (< 12 months)	**21.8**
Centessa Pharmaceuticals plc	NASDAQ quoted	Quoted bid price	**21.1**
Crescendo Biologics Limited	Soffinova Capital, BioDiscovery 5, Millennium Pharmaceuticals, Quan Venture Funds	Upcoming financing	**18.7**
Artios Pharma Limited	Arix Bioscience, BioDiscovery 5, SV Life Sciences, Pfizer, Merck Ventures	Recent financing (< 12 months)	**17.8**

Company name	Significant named co-investors	Primary valuation basis	Fair value of Group holding at 31 Dec 2021 £m
Oxbotica Limited	Fundamental Insurance Investments, BT Technology Ventures, BGF, bp venture, Ocado	Recent financing (< 12 months)	**16.3**
PsiOxus Therapeutics Limited	SR One, Lundbeckfond Ventures, Invesco, Sedgwick Yard	*Adjusted funding	**15.4**
Mission Therapeutics Limited	Pfizer, Roche, Sofinnova Partners, SR one	Recent financing (> 12 months)	**15.4**
Oxular Limited	Forbion, NeoMed, V-Bio Ventures	Recent financing (< 12 months)	**14.6**
Nexeon Limited	Invesco, Nortrust, SKC, Wacker Chemie	Expected funding	**11.3**
Pulmocide Limited.	Jeito capital, Adjuvant Capital, Asahi Kasei Pharma, Fidelity, F-Prime, J&J, Longwood, SR One, SVLS	Recent financing (< 12 months)	**10.6**
Total			**1,129.5**

* Third party valuation specialists used for 31 December 2021 valuation

Other Portfolio

Included within the Total portfolio in the table above are holdings in LP and LLP funds, namely IPG Cayman LP, 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.

Other non-current assets/liabilities

Non-current assets relates to amounts receivable on sale of equity and debt investments, representing deferred and contingent consideration amounts to be received in more than one year.

Both IP Group and Touchstone Innovations plc arranged debt facilities with the European Investment Bank (the “EIB”), total borrowings under which totalled £51.8m at the period end (2020: £67.3m). Of these facilities, £15.4m is due to be repaid within twelve months of the period end (2020: £15.4m). The facility provides the Group with an additional source of long-term capital to support the development of the portfolio.

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

Cash and deposits

On 31 December 2021, the Group held gross cash and deposits of £321.9m (2020: £270.3m). 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.

On 31 December 2021, the Group had a total of £1.5m (2020: £10.3m) held in US Dollars, £7.5m (2020: £nil) held in Euros and £0.7m (2020: £0.3m) held in Australian Dollars.

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

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Net cash generated/(used) by operating activities	**10.0**	**(27.5)**
Investments	**(106.7)**	**(72.1)**
Disposals	**213.4**	**191.0**
Other investing	**0.3**	0.4
Cash disposed via disposal of subsidiary undertaking	**(7.1)**	—
Dividends Paid	**(14.9)**	—
Purchase of treasury shares	**(27.2)**	—
Repayment of debt facility	**(15.4)**	**(15.3)**
Other financing activities	**(0.8)**	**(1.1)**
Effect of foreign exchange rate changes	**0.1**	—
Movement during period	**51.7**	**75.4**

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 £9.4m on 31 December 2021 (2020: £8.7m).

Deconsolidation of US platform

During 2021, several changes were made to our US platform IPG Cayman LP, which was set up in 2018 to facilitate third party investment into our US portfolio. The most significant of these were:

- the sourcing of additional third-party funds in the first half of 2021, which reduced our holding % in the platform from 80.7% to 58.1% and included an option to subscribe additional funds which, if exercised, would result in IP Group holding less than 50% in the fund.
- The disposal of the US platform's fund manager, IP Group, Inc. in November 2021.

As a result, we have concluded that we no longer control the US platform which has therefore been deconsolidated with effect from November 2021 onwards.

Dividends and Share buy-backs

During 2021, the Group paid its maiden dividend, a final 2020 dividend of 1 pence per share, in June 2021. Of the total 2020 final dividend amount of £10.6m, £10.0m was settled in cash, and £0.6m was settled via the issue of scrip shares. Additionally, the Group paid an interim dividend of 0.48 pence per share in September 2021; of the total amount of £5.1m, £4.8m was settled in cash and £0.3m in shares. A final 2021 dividend of 0.72 pence per share has been proposed, with the Directors proposing to offer shareholders the opportunity to elect to receive dividends in the form of fully paid shares in IP Group plc in lieu of cash under the Scrip Dividend Scheme. Subject to its approval at the 2022 AGM to be held on 14 June 2022, this will be paid on 30 June 2022 to shareholders on the register on 27 May 2022. The deadline for shareholders to take up the scrip alternative is 9 June 2022.

Within the Group's half-yearly results, we announced that the Board had allocated a proportion of the capital received from exits in the first half of the year towards a £20m share buy-back programme. This was extended to £35m in September 2021 following the realisation of £84.1m at the Oxford Nanopore IPO. The Group commenced its buyback programme on 8 October 2021 and during the year purchased 22.3m ordinary shares with an aggregate value of £27.0m (plus £0.2m costs). The remainder of the £35m buyback programme was completed in early 2022.

Taxation

The Group's business model seeks to deliver long-term value to its stakeholders through the commercialisation of fundamental research carried out at its partner universities. To date, this has been largely achieved through the formation of, and provision of services and development capital to, spin-out companies formed around the output of such research. The Group primarily seeks to generate capital gains from its holdings in spin-out companies over the longer term but has historically made annual net operating losses from its operations from a UK tax perspective. Capital gains achieved by the Group would ordinarily be taxed upon realisation of such holdings; however, since the Group typically holds more than 10% in its portfolio companies and those companies are themselves trading, the directors continue to believe that most 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 holdings which do not qualify for SSE will ordinarily give rise to taxable profits for the Group, to the extent
that these exceed the Group's ability to offset gains against current and brought forward tax losses (subject to the relevant restrictions on the use of brought-forward losses). In such cases, a deferred tax liability is recognised in respect of estimated tax amount payable.
The Group complies with relevant global initiatives including the US Foreign Account Tax Compliance Act ("FATCA") and the OECD Common Reporting Standard.

Alternative Performance Measures ("APMs")

The Group discloses alternative performance measures, such as NAV per share and Return on NAV, in this Annual Report. The directors believe that these APMs assist in providing additional useful information on the underlying trends, performance, and position of the Group. Further information on APMs utilised in the Group is set out in note 30.

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 CFOO, 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 2021 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 the development of an operational risk register for the Group's climate related risks and refreshing the Group's existing operational, strategic, and principal risk registers and an assessment of the strategic risks and the appropriateness of our principal risks.

The Risk Council facilitated a "look-back" review to assess how the Group's Crisis Response Group performed during the initial phases of the COVID-19 pandemic covering the period March 2020 – March 2021 to ensure that future crisis response teams can benefit from lessons learned. The review assessed that the Group had performed well, noting strengths in internal communication and supporting employees' mental and physical wellbeing. The key recommendation from the review was to invest additional resources into planning for other events that could disrupt the Group's business continuity and therefore strengthen our operational resilience. It was agreed that given the growing external threat posed by cyber-attacks, the Risk Council would work with management to develop detailed response plans for such an event. A sub-group of the Executive Committee led by the Risk Council developed a detailed cyber response plan and ransomware playbook which was adopted by the Executive Committee in December. Plans are in place to commence the training and testing phases of these plans in early 2022.

Other projects completed in the year included responding to the Government's consultation "Restoring trust in audit and corporate governance: proposals on reforms" performing a related internal controls maturity assessment and an initial scoping exercise in preparation for the expected changes which are yet to be announced, reviewing annual report disclosures, receiving updates on the Group's ESG workstreams with particular emphasis on TCFD disclosures, testing of key controls over our principal risks, monitoring key risk indicators, a control investment review to ensure the desired levels of controls agreed by the Board were in place, continued monitoring of internal audit remediation points 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 IT General Controls, Valuations and HR processes. Additionally, the PwC internal audit cyber team have reviewed completed control remediations originating from the 2020 cyber maturity assessment review to confirm all areas highlighted for improvement have been implemented to the required standard.

Priorities for 2022 include further business reviews by the internal audit function, preparation for anticipated UK governance reform changes, delivering training and scenario-based testing programmes for operational resilience workstreams and continued enhancement of Group risk reporting and communication across the business. The impact of the war in Ukraine and subsequent humanitarian, economic and foreign policy developments in early 2022 are being reviewed by the Group and consideration is being given to how these combined events could impact our current risks or create new risks. Initially we consider that situation heightens our principal risks of macro-economic risk and access to capital most acutely. The Group is actively monitoring developments and will update our capital allocation plans as required. Additionally, we are responding to the updated sanctions imposed by the UK government in response to the war and ensuring we have complied with the OFSI regime in full.

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 annual risk workshop at the Board in December and continue to consider emerging risks throughout the year. Most notably in 2022 the conflict in Ukraine and subsequent geopolitical uncertainty across markets and supply chains is being monitored by the Group. Set out below are examples of some of the potential emerging risks that are currently being monitored by management and the Board:

Near term – Economic and geopolitical uncertainty

The Group operated against a backdrop of bullish capital markets in 2021 however there is increasing uncertainty about the macro-economic environment as we enter 2022. Capital markets saw significant volatility and uncertainty at the start of 2022, most notably in growth stocks. The continued record levels of inflation, recorded at 5.4% in December 2021, is believed will lead central banks to increase interest rates which tend to impact faster growth businesses, such as IP Group and its portfolio companies more than other, low growth stocks. The UK and global economies continue to be impacted by the COVID-19 pandemic and economic recovery will depend on the emergence of new variants, roll-out of vaccine programmes and consumer confidence. More recently geopolitical concerns, most notably Russia's recent invasion of Ukraine, are causing additional global market volatility.

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. The industry continued to see an increase in cyber-attacks in 2021 and it is against this backdrop that the Group continued to increase its investment in mitigating controls, staff training and specific cyber incident response plans to support our response to this risk area.

Medium term – climate change transition risks

Transition risks can occur when moving towards a less polluting, greener economy. Such transitions could mean that the Group could face higher costs of doing business for example new climate-related legislation, regulations, and reporting requirements such as TCFD and SECR reporting, will pose additional costs as the Group seeks to manage these risks by investing additional resources to ensure compliance. (Read more about this reporting on Pg x)

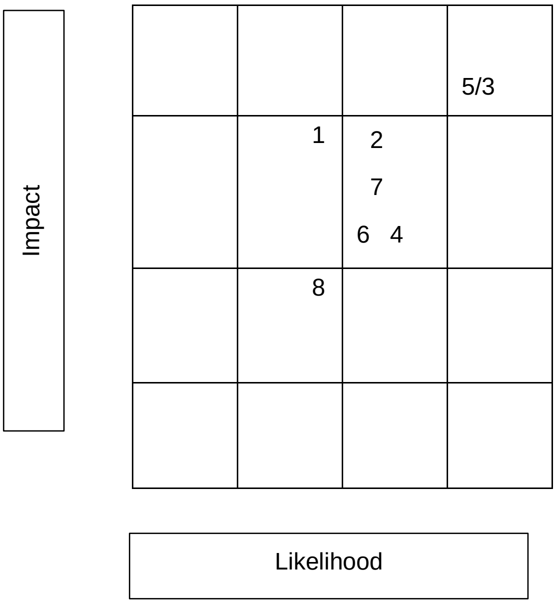
Longer term – climate change technology risks

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 - see case study on IP Group Cleantech Showcase at COP26. In addition, IP Group reported 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 is given 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 on pages 33 to 66 Following the 2021 annual review process 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 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 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	**ACTIONS TAKEN BY MANAGEMENT**	**RISK APPETITE**
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.	• 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.	Low
KPI	**DEVELOPMENT DURING THE YEAR**	
• Change in fair value of equity and debt investments • Total equity ("Net Assets") • Profit/loss attributable to equity holders	• Significant proceeds from sale of equity and debt investments in the year (£213.4m). • The Group's share price continued to trade below NAV during the year. The Group launched a share buyback programme to purchase its own shares up to an aggregate consideration of £35m and announced a maiden dividend of 1p per share.	
EXAMPLES OF RISK	**CHANGE FROM 2020**	
• 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.	Decreased	

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	**ACTIONS TAKEN BY MANAGEMENT**	**RISK APPETITE**
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.	• The Group operates a corporate finance function which is experienced in carrying out fundraising mandates for Life Sciences and Tech portfolio companies. • The Group maintains close relationships with a wide variety of co-investors that focus on companies at differing stages of development.	Low

	• The Group regularly forecasts cash requirements of the portfolio and monitors focus companies approaching cash out. • While Parkwalk Advisors continues to have independent 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	**DEVELOPMENT DURING THE YEAR**	
• Change in fair value of equity and debt investments • Total equity (“Net Assets”) • Profit/loss attributable to equity holders	• IP Group hosted seven virtual events in 2021 as part of the 20in21 programme. These included one focussed on the Australian portfolio and one on the US portfolio. Australia also hosted a separate showcase event, split over two days by sector. • Continued management of an A$100m+ trust and a new mandate taken on in the year for an additional A$45m for an Australian Super Fund which has a mandate to co-invest with IP Group plc portfolio companies. In the year, five Group portfolio companies received funding from this investment vehicle. Total funds under management at the end of the year totalled A$220m • Parkwalk raised £79m in 2021 and had total AUM of £388m at the end of 2021.	
EXAMPLES OF RISK	**CHANGE FROM 2020**	
• 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.	No change	

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	ACTIONS TAKEN BY MANAGEMENT	RISK APPETITE
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.	• The Group’s employees have significant experience in sourcing, developing, and growing early-stage technology companies to significant value, including use of the Group’s systematic opportunity evaluation and business building methodologies within delegated board authorities. • Members of the Group’s investment partnership teams 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	High

	initial capital to enable identification and mitigation of potential failures at the earliest possible stage.	
KPI	**DEVELOPMENT DURING THE YEAR**	
• Change in fair value of equity and debt investments • Purchase of equity and debt investments • Proceeds from the sale of equity investments	• The Group's portfolio companies raised approximately £2.4bn of capital in 2021. • The Group maintained board representation on 71% of its "focus" companies by number. • The Group hired five investment professionals across the Deeptech, Cleantech and Life Sciences sectors in 2021.	
EXAMPLES OF RISK	**CHANGE FROM 2020**	
• 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.	No change	

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 Australia and New Zealand and Hong Kong, presents an additional potential risk.

LINK TO STRATEGY	**ACTIONS TAKEN BY MANAGEMENT**	**RISK APPETITE**
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.	• 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.	Balanced
KPI	**DEVELOPMENT DURING THE YEAR**	
• Total equity • "Net Assets"	• The 'Great Resignation' was an economic trend in 2021 which saw an increased number of employees voluntarily resign from their jobs which created pressure in the talent acquisition market. This pressure was acutely felt for the	

• Number of new portfolio companies • Employee engagement and diversity	Group as front-office investment professionals were in particularly high demand given the recent record levels of fund raising. Continued local lock downs and new variants of COVID-19 saw continued pressures on employees which has meant the Group continued to invest in employee wellness during the year. The HR team launched a formal learning and development programme for all employees during the year. Continued to dedicate senior team time and resources to the development of the Group's inclusion and diversity programme, the ID Project. • Continued high 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 5.3%. • Approximately 40.3% of employees have been with the Company for at least five years.	
EXAMPLES OF RISK	**CHANGE FROM 2020**	
• 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	No change	

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	ACTIONS TAKEN BY MANAGEMENT	RISK APPETITE
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.	• 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.	High
KPI	**DEVELOPMENT DURING THE YEAR**	
• Change in fair value of equity and debt investments • Total equity	• Macroeconomic and geopolitical conditions remain uncertain in the UK. Record levels of inflation in the UK were recorded in December (5.4%) and the market anticipates increased interests rates in the short term.	

• "Net Assets" • Profit or loss attributable to equity holders	The UK's Brexit transition period ended in January 2021 and we await the outcome of the UK trade negotiations with trading partners to develop new international trade agreements. • The UK and global economy continued to be impacted by the on-going COVID-19 pandemic in 2021. The Omicron variant, success of the vaccine roll-out and ever-changing travel restrictions as well as widespread supply chain issues all continue to impact the wider economy. The Group has maintained significant cash reserves and as such is well placed to respond to any shocks in the economy. The Group operated against a backdrop of bullish capital markets in the first half of the year however there was increasing uncertainty about the economic environment in the last quarter of 2021 and significant weakening during the first 2 months of 2022 due to rising interest rates, inflation, and geopolitical tension.	
EXAMPLES OF RISK	**CHANGE FROM 2020**	
• 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. • 46.8% of the Group's portfolio value is held in companies quoted on public markets and decreases in values to these markets could result in a material fair value impact to the portfolio as a whole.	No change	

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	ACTIONS TAKEN BY MANAGEMENT	RISK APPETITE
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.	• 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.	**Low**
KPI	**DEVELOPMENT DURING THE YEAR**	
• Total equity • "Net Assets"	• Ongoing focus on regulatory compliance, including third party reviews and utilisation of specialist advisers. • The Group responded to two government consultations in the year which propose changes relevant to the Group's operations which were "Restoring trust in audit and	

	corporate governance: proposals on reforms" and the "National Security & Investment Act".	
EXAMPLES OF RISK	**CHANGE FROM 2020**	
• 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.	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	**ACTIONS TAKEN BY MANAGEMENT**	**RISK APPETITE**
The Group's strategic objectives of creating and maintaining a portfolio of compelling opportunities to deliver attractive returns for shareholders could be materially impacted by a serious cyber security breach at a corporate or portfolio company level.	• The Group reviews its data and cyber-security processes with its external outsourced IT providers and applies the UK Government's "ten steps" framework or other national equivalents where relevant. • Regular IT management reporting framework in place. • Internal and third-party reviews of policies and procedures in place to ensure appropriate framework in place to safeguard data. • Assessment of third-party suppliers of cloud-based and on-premises systems in use.	Low
KPI	**DEVELOPMENT DURING THE YEAR**	
• Total equity • "Net Assets"	• Ongoing focus on IT security and staff training, including implementing remediations agreed from 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. • Developed detailed cyber incident response framework and reviewed business continuity and disaster recovery plans in the year. • Additional, regular, bite-sized and interactive cyber security training provided to staff to supplement formal annual cyber security training launched in the year. • Completion of the remaining, lower priority remediation actions from the 2020 internal audit cyber maturity review were delayed in the year as the team acquired additional team resources to implement them to the required standard.	

EXAMPLES OF RISK	CHANGE FROM 2020	
• 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.	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	ACTIONS TAKEN BY MANAGEMENT	RISK APPETITE
The Group's strategy includes building a portfolio of compelling intellectual-property based companies across the UK, US and Australia and New Zealand. The scale of the Group's operations, including internationally represents increased importance of successful execution of its operations.	• Local legal and regulatory advisers have been engaged in the establishment phase of overseas operations. US and Australia and New Zealand teams have their own in-house legal teams who regularly report to the UK-based General Counsel. • Business continuity plans are in place for the Group and tested regularly. • IP Exec and HR are involved in senior hires for new territories. Senior international personnel include current and former UK employees, encouraging a shared culture across territories. •Video conferencing has temporarily replaced regular travel between the UK and other territories to ensure the Group is aligned in its strategy and culture. It is likely that video conferencing will continue to be used in place of some travel post pandemic. • The risk management framework in place across each business unit has been established in each international territory and is integrated into the Group's regular risk management processes and reporting. • Third party suppliers are used for international accounting and payroll services to reduce the risk of fraud within smaller teams.	Balanced
KPI	**DEVELOPMENT DURING THE YEAR**	
• Total equity • "Net Assets"	• Continued coordination of risk reporting across Australia, New Zealand, Hong Kong, and USA. • Application for Hong Kong regulatory permissions being prepared with specialist local advisors.	
EXAMPLES OF RISK	**CHANGE FROM 2020**	
• A legal or regulatory breach could ultimately lead to the withdrawal of regulatory permissions overseas, resulting in loss of trust management contracts, reputational damage and fines.	No change	

• 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.		

Viability statement: The directors have carried out a robust assessment of the viability of the Group over a three-year period to December 2024, 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 2022 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 18 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 2024.

STRATEGIC REPORT APPROVAL

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

CONSOLIDATED FINANCIAL INFORMATION

The financial information set out below has been extracted from the Annual Report and Accounts of IP Group plc for the year ended 31 December 2021 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 2022, and relates to that document and not this announcement.

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

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

ON BEHALF OF THE BOARD

Sir Douglas Flint
Chairman

Greg Smith
Chief Executive Officer

15 March 2022

Consolidated statement of comprehensive income

For the year ended 31 December 2021

	Note	**2021 £m**	2020 £m
Portfolio return and revenue			
Change in fair value of equity and debt investments	13	415.9	148.9
Gain on disposal of equity and debt investments	14	81.5	82.5
Loss on deconsolidation and disposal of subsidiary	21	(3.8)	–
Change in fair value of limited and limited liability partnership interests	24	1.8	(3.4)
Revenue from services and other income	4	13.6	6.2
		508.9	234.2
Administrative expenses			
Carried interest plan charge	23	(17.2)	(14.3)
Share-based payment charge	22	(2.6)	(2.9)
Other administrative expenses	8	(33.2)	(29.4)
		(53.0)	(46.6)
Operating profit	7	456.0	187.6
Finance income		0.4	0.9
Finance costs		(1.8)	(2.4)
Profit before taxation		454.6	186.1
Taxation	10	(5.3)	(0.7)
Profit for the year		449.3	185.4
Other comprehensive income			
Exchange differences on translating foreign operations		0.3	–
Total comprehensive profit for the year		449.6	185.4
Attributable to:			
Equity holders of the parent		448.5	185.4
Non-controlling interest	25	1.1	–
		449.6	185.4
Profit per share			
Basic (p)	11	42.33	17.47
Diluted (p)	11	41.68	17.36

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

Consolidated statement of financial position

As at 31 December 2021

	Note	2021 £m	2020 £m
ASSETS			
Non-current assets			
Intangible assets:			
Goodwill		**0.4**	0.4
Property, plant and equipment		**0.3**	0.8
Portfolio:			
Equity investments	13	**1,391.8**	1,124.0
Debt investments	13	**22.8**	38.7
Limited and limited liability partnership interests	24	**92.9**	22.2
Receivable on sale of debt and equity investments	14,16	**31.3**	–
Total non-current assets		**1,539.5**	1,186.1
Current assets			
Trade and other receivables	15	**6.9**	3.6
Receivable on sale of debt and equity investments	14,16	**11.0**	15.3
Deposits	2	**216.2**	142.7
Cash and cash equivalents	2	**105.7**	127.6
Total current assets		**339.8**	289.2
Total assets		**1,879.3**	1,475.3
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Called up share capital	20	**21.3**	21.3
Share premium account		**102.4**	101.6
Retained earnings		**1,617.5**	1,208.5
Total equity attributable to equity holders		**1,741.2**	1,331.4
Non-controlling interest		**(3.1)**	0.5
Total equity		**1,738.1**	1,331.9
Current liabilities			
Trade and other payables	17	**18.7**	11.0
EIB debt facility	18	**15.4**	15.4
Total current liabilities		**34.1**	**26.4**
Non-current liabilities			
EIB debt facility	18	**36.4**	51.9
Carried interest plan liability	23	**33.1**	19.3
Deferred tax liability	10	**5.8**	–
Loans from limited partners of consolidated funds	18	**18.7**	32.9
Revenue share liability	19	**13.1**	12.9
Total non-current liabilities		**107.1**	**117.0**
Total liabilities		**141.2**	**143.4**
Total equity and liabilities		**1,879.3**	1,475.3

Registered number: 4204490

The accompanying notes form an integral part of the financial statements. The financial statements on pages 33 to 66 were approved by the Board of Directors and authorised for issue on 15 March 2022 and were signed on its behalf by:

Greg Smith
Chief Executive Officer

David Baynes
Chief Financial and Operating Officer

Consolidated statement of cash flows

For the year ended 31 December 2021

	Note	**2021 £m**	2020 £m
Operating activities			
Operating profit for the period		456.0	187.6
Adjusted for:			
Change in fair value of equity and debt investments	13	(415.9)	(148.9)
Change in fair value of limited and limited liability partnership interests	24	(1.8)	3.4
Gain on disposal of equity investments	14	(81.5)	(82.5)
Loss on deconsolidation of subsidiary	21	3.8	–
Depreciation of property, plant and equipment		1.6	1.4
Long term incentive carry scheme charge	23	17.2	14.3
IFRS3 charge in respect of acquisition of subsidiary – equity-settled		–	2.0
Corporate finance fees settled in the form of portfolio company equity		(0.5)	(0.2)
Share-based payment charge	22	2.6	2.9
Changes in working capital			
Carry scheme payments	23	(3.4)	(0.5)
Decrease/(increase) in trade and other receivables	15	(3.0)	2.1
Increase/(decrease) in trade and other payables	17	8.8	(14.3)
Drawdowns from limited partners of consolidated funds		27.7	6.8
Other operating cash flows			
Net interest paid		(1.5)	(1.6)
Net cash inflow/(outflow) from operating activities		10.0	(27.5)
Investing activities			
Purchase of property, plant and equipment		(0.2)	–
Purchase of equity and debt investments	13	(103.7)	(67.5)
Investment in limited and limited liability partnership funds	24	(3.0)	(4.5)
Distribution from limited partnership funds	24	0.5	0.3
Cash flow to deposits		(230.5)	(240.2)
Cash flow from deposits		156.9	170.5
Cash disposed via deconsolidation of subsidiary	21	(7.1)	–
Proceeds from sale of equity and debt investments	14	213.4	191.0
Net cash inflow from investing activities		26.3	49.6
Financing activities			
Dividends paid	29	(15.0)	–
Repurchase of own shares – treasury shares	20	(27.2)	–
Lease principal payment		(0.7)	(1.1)
Repayment of EIB facility	18	(15.4)	(15.3)
Net cash outflow from financing activities		(58.3)	(16.4)
Net (decrease)/increase in cash and cash equivalents		(22.0)	5.7
Cash and cash equivalents at the beginning of the year		127.6	121.9
Effect of foreign exchange rate changes		0.1	–
Cash and cash equivalents at the end of the year		105.7	127.6

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

Consolidated statement of changes in equity

For the year ended 31 December 2021

	Attributable to equity holders of the parent					
	Share capital £m	Share premium[(i)] £m	Retained earnings[(ii)] £m	Total £m	Non-controlling interest[(iii)] £m	Total equity £m
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[(iv)]	0.1	1.9	–	2.0	–	2.0
Equity-settled share-based payments	–	–	2.9	2.9	–	2.9
Currency translation[(v)]	–	–	(0.3)	(0.3)	–	(0.3)
At 1 January 2021	**21.3**	**101.6**	**1,208.5**	**1,331.4**	**0.5**	**1,331.9**
Comprehensive income	–	–	448.2	448.2	1.1	449.3
Deconsolidation of subsidiary[(vi)]	–	–	0.9	0.9	(4.7)	(3.8)
Issue of shares[(ix)]	–	0.8	–	0.8	–	0.8
Purchase of treasury shares[(vii)]	–	–	(27.2)	(27.2)	–	(27.2)
Equity-settled share-based payments	–	–	2.6	2.6	–	2.6
Ordinary Dividends[(viii)]	–	–	(15.8)	(15.8)	–	(15.8)
Currency translation[(v)]	–	–	0.3	0.3	–	0.3
At 31 December 2021	**21.3**	**102.4**	**1,617.5**	**1,741.2**	**(3.1)**	**1,738.1**

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

(ii) Retained earnings – Cumulative net gains and losses recognised in the consolidated statement of comprehensive income net of associated share-based payments credits.

(iii) Non-controlling interest – Share of profits attributable to the Limited Partners of IP Venture Fund II LP and IPG Cayman LP prior to its de-consolidation, see note 25.

(iv) Issue of Shares – 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.

(v) Currency translation – Reflects currency translation differences on reserves non-GBP functional currency subsidiaries. Exchange differences on translating foreign operations are presented before tax.

(vi) Deconsolidation of subsidiary – during the year IPG Cayman LP was deconsolidated, resulting in the disposal of NCI and the recycling of £0.9m currency translation reserve through the Income Statement. See note 21.

(vii) Ordinary Dividends – Of the £15.8m total dividend paid during the year, £15.0m was paid in cash and £0.8m was settled via the issue of equity under the Group's scrip programme. 679,553 such new shares were issued.

(viii) Purchase of treasury shares – Reflects the issue of 22,279,127 ordinary shares, with an aggregate value of £27.0m, these were purchased by the company during the period and are held in treasury. Total value including costs was £27.2m.

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 2021. The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated. The Group financial statements have been prepared and approved by the directors in accordance with international accounting standards in accordance with UK-adopted international accounting standards ("UK-adopted IFRS").

The preparation of financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in the most appropriate selection of the Group's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in note 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 £321.9m, 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 £1.5bn, 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 approval date of the accounts. For further details see the Group's viability statement on page 32.

Changes in accounting policies

(i) New standards, interpretations and amendments effective from 1 January 2021

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

IFRS10 Investment Entity Exemption

We believe that IP Group plc does not meet the definition of an investment entity under IFRS 10. The rationale behind this conclusion includes:

- the absence of specific exit strategies for early-stage assets
- the ability to hold investments indefinitely
- the flexibility to explore the direct commercialisation of intellectual property within the Group if that is determined to be the most attractive means of generating value for shareholders.

Accordingly, we have applied IFRS10 consolidation principles for each group of entities as follows:

(i) Subsidiaries

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

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

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

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

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

(ii) Associates/Portfolio Companies

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

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

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

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

(iii) Limited Partnerships and Limited Liability Partnerships ("Limited Partnerships")

(a) Consolidated Limited Partnership fund holdings

The group has a holding in the following Limited Partnership fund, which it determines that it controls and hence consolidates on a line by line basis:

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

In order to determine whether the Group controls the above funds, it has considered the IFRS10 control model and related application guidance. In respect of IPVFII, the Group has power via its role as fund manager of the partnership, and exposure to variable returns via its 33.3% ownership interest, resulting in the conclusion that the Group controls and hence consolidates the fund.

Further disclosures in respect of these consolidated Limited Partnership holdings are included in Note 24.

(b) Other Limited Partnership fund holdings

In addition to Limited Partnerships where Group entities act as general partner and investment manager, the Group has interests in three further entities which are managed by third parties:

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

The rationale for IPG Cayman LP's re-categorisation as a non-consolidated fund is set out in Note 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.

At the beginning of 2021 the Group had an 8.3% interest in the total capital commitments of Apollo Therapeutics LLP ("Apollo"), a £40.0m venture between AstraZeneca, GlaxoSmithKline, Johnson & Johnson and the technology transfer offices of Imperial College

London, University College London and the University of Cambridge. During the year, the portfolio of programmes developed by the Apollo was restructured in a new portfolio company, Apollo Therapeutics Limited, concurrent with a $145m funding round. The Group now holds a 1.9% holding in the Apollo Therapeutics Group Limited, which was transferred into the equity investment portfolio.

See note 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.

(iv) Other third party funds under management

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

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

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

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 breakdown and disclosure requirements under IFRS15 have not been presented as they are considered immaterial. Revenue from services and other income comprises:

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

Licence and royalty income
The Group's IP 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.

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

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

Financial assets

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

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

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

Valuation techniques used include:

- Quoted 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.

Deferred and contingent consideration
Consideration in respect of the sale of debt and equity investments may include elements of deferred consideration where payment if received at a pre-agreed future date, and/or elements of contingent consideration where payment is received based on, for example, achievement of specific drug development milestones. In such instances, these amounts designated at fair value through profit and loss on initial recognition. 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 a managed funds in which it has a significant economic interest, specifically co-investment fund IP Venture Fund II LP. Loans from third parties of consolidated funds represent third-party loans into this partnership. These loans are repayable only upon these funds generating sufficient realisations to repay the Limited Partners. 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. (see note 23 for further details)

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.

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.

2. Financial Risk Management
As set out in the principal risks and uncertainties section on pages 22 to 32, 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, 10 on AIM, 2 on NASDAQ, 1 on LSE (2020: 11, nil, nil) and investments which are not traded on an active market.

The net portfolio gain in 2021 of £497.4m represents a 42.8% increase against the opening balance (2020: gain of £231.4m, 22.1%). 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.

	2021			2020		
	Quoted £m	**Unquoted £m**	**Total £m**	Quoted £m	Unquoted £m	Total £m
Equity and debt investments and investments in limited partnerships	**6.6**	**8.4**	**15.0**	0.8	11.0	11.8

(ii) Interest rate risk

The Group holds three EIB debt facilities with the overall balance as at 31 December 2021 amounting to £51.8m (2020: £67.3m) with £11.0m being subject to variable rate interest (2020: £15.6m) and £40.8m (2020: £51.7m) being subject to fixed interest rate averaging 3.1% (2020: 3.1%).

The variable rate consists of two elements. A facility of £6m which includes a fixed element of 1.98% with an additional variable spread equal to the six-month GBP SONIA rate as at the first date of each six-month interest period. The average floating interest rate (including the fixed element) for 2021 was 2.14% (2020: 2.42%). The second facility of £5.0m is based on a floating interest rate including SONIA and the average interest in the year was 2.87% (2020: 3.14%). 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 18.

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.

	2021				2020			
	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	–	–	1,391.8	1,391.8	–	–	1,124.0	1,124.0
Debt investments	–	–	22.8	22.8	–	–	38.7	38.7
Limited and limited liability partnership interests	–	–	92.9	92.9	–	–	22.2	22.2
Trade receivables	–	–	1.7	1.7	–	–	1.5	1.5
Other receivables	–	–	5.2	5.2	–	–	2.1	2.1
Receivable on sale of debt and equity investments	–	–	42.3	42.3	–	–	15.3	15.3
Deposits	216.2	–	–	216.2	142.7	–	–	142.7
Cash and cash equivalents	–	105.7	–	105.7	–	127.6	–	127.6
	216.2	105.7	1556.7	1,878.6	142.7	127.6	1,203.8	1,474.1
Financial liabilities								
Trade payables	–	–	(0.6)	(0.6)	–	–	(0.8)	(0.8)
Other accruals and deferred income	–	–	(18.1)	(18.1)	–	–	(10.3)	(10.4)
EIB debt facility	(40.8)	(11.0)	–	(51.8)	(51.7)	(15.6)	–	(67.3)
Carried interest plan liability	–	–	(33.1)	(33.1)	–	–	(19.3)	(19.3)
Deferred tax liability	–	–	(5.8)	(5.8)	–	–	–	–
Loans from limited partners of consolidated funds	–	–	(18.7)	(18.7)	–	–	(32.9)	(32.9)
Revenue share liability	–	–	(13.1)	(13.1)	–	–	(12.9)	(12.9)

(40.8)	(11.0)	(89.4)	(141.2)	(51.7)	(15.6)	(76.1)	(143.4)

At 31 December 2021, if interest rates had been 1% higher/lower, post-tax profit for the year, and other components of equity, would have been £1.4m (2020: £1.3m) 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	**2021 £m**	2020 £m
P1	292.3	221.3
AAAMMF[1]	20.2	43.2
Other[2]	9.4	5.8
Total deposits and cash and cash equivalents	321.9	270.3

1 The Group holds £20.2m (2020: £43.2m) with JP Morgan GBP liquidity fund, which has a AAAMMF credit rating with Fitch.

2 The Group holds £9.4m (2020 £5.8m) 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 0.1401% (2020: 0.2173%).

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 2021 was the greater of 60% of total group cash or £50.0m (2020: 25%, £50m). In addition, no single institution may hold more than the higher of 50% of total cash and deposits or £75m. (2020: 50%, £50m)

The Group's exposure to credit risk on debt investments is managed in a similar way to equity investment 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 (significant estimate)

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.

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.

(ii) Application of IFRS 10 in respect of IPG Cayman LP and Istesso Limited (significant judgment)

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

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

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

As a result of these we have concluded that IPG Inc is acting as an agent on behalf of all investors in the Cayman LP and not just IPG plc, therefore the Group no longer controls IPG Cayman LP, and have ceased to consolidate it from November 2021. See note 21 for further details on the accounting impact of the deconsolidation. Arriving at this conclusion has required the application of judgment, most significantly in assessing the application guidance contained in IFRS 10 B19 which suggests that in some instances a special relationship may exist (e.g. that we remain the largest individual investor in the fund), implying that an investor has a more than passive interest in the investee. Having considered this guidance we conclude that on balance the Group does not have power over IPG Cayman LP. and hence does not control it.

In respect of Istesso Limited, although the Group has a 56.4% undiluted economic interest in the company, the Group holds a significant proportion of its equity via non-voting shares results in it holding less than 50% of the voting rights at the company. Additionally, the Group does not control the board of Istesso Limited via a majority of board directors, and has no mechanism whereby it can do so. As a result, we conclude that the Group does not control Istesso Limited under IFRS 10.

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 2021 and the year ended 31 December 2020, the Group's revenue and profit before taxation were derived largely from its principal activities within the UK.

For management reporting purposes, the Group is currently organised into 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 aggregated the activities of these business units as a single reporting segment.

The economic indicators which have been assessed in determining that the operating segments within the University Partnership reporting segment noted above have similar economic characteristics and can therefore be aggregated include:

- the application of a common business model across the operating segments
- the global nature of the commercial operations of the Group's portfolio companies
- the global nature of current and prospective 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 2021	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	415.9	–	415.9
Gain on disposal of equity investments	81.5	–	81.5
Loss on deconsolidation of subsidiary	(3.8)	–	(3.8)
Change in fair value of limited and limited liability partnership interests	1.8	–	1.8
Revenue from services and other income	5.7	7.9	13.6
	501.1	7.9	509.0
Administrative expenses			
Carried interest plan charge	(17.2)	–	(17.2)
Share-based payment charge	(2.5)	(0.1)	(2.6)
Administrative expenses	(28.7)	(4.5)	(33.2)
	(48.4)	(4.6)	(53.0)
Operating profit	452.7	3.3	456.0
Finance income	0.4	–	0.4
Finance costs	(1.8)	–	(1.8)
Profit before taxation	451.3	3.3	454.6
Taxation	(5.3)	–	(5.3)
Profit for the year	446.0	3.3	449.3

STATEMENT OF FINANCIAL POSITION			
Assets	1,862.1	17.2	1,879.3
Liabilities	(137.4)	(3.8)	(141.2)
Net assets	1,724.7	13.4	1738.1
Other segment items			
Capital expenditure	0.2	–	0.2
Depreciation	(1.6)	–	(1.6)

Year ended 31 December 2021	UK £m	Non-UK £m	Consolidated £m
STATEMENT OF COMPREHENSIVE INCOME BY GEOGRAPHY			
Portfolio return and revenue	484.4	24.6	509.0
Administrative expenses	(46.0)	(7.0)	(53.0)
Operating profit	438.4	17.6	456.0
Net interest	(1.4)	–	(1.4)
Profit before taxation	437.0	17.6	454.6
Taxation	(5.2)	(0.1)	(5.3)
Profit for the year	431.8	17.5	449.3

Year ended 31 December 2021	UK £m	Non-UK £m	Consolidated £m
STATEMENT OF FINANCIAL POSITION BY GEOGRAPHY			
Current assets	336.2	3.6	339.8
Non-current assets	1,515.0	24.5	1,539.5
Current liabilities	(33.8)	(0.3)	(34.1)
Non-current liabilities	(107.1)	–	(107.1)
Total equity	1,710.3	27.8	1,738.1

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
Loss on deconsolidation of subsidiary	–	–	–
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

Year ended 31 December 2020	University partnership business £m	Venture capital fund management £m	Consolidated £m
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

6. Auditor's remuneration

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

	2021 **£'000s**	2020[1] £'000s
Audit fees in respect of Group and subsidiaries, audited by KPMG LLP	398	321
Interim review fee, for review performed by Group auditor KPMG LLP	55	53
Audit fees in respect of Funds, audited by KPMG LLP	108	89
Audit fees in respect of subsidiary companies, audited by Moore Northern Home Counties Limited	62	58
Total assurance services	623	521
All other services performed by Group auditor KPMG LLP	5	9
Total non-assurance services performed by Group auditor KPMG LLP	5	9

[1] Prior year amounts re-presented to include the audit of IPG Cayman LP within audit fees in respect of funds, audited by KPMG LLP (previously included within audit fees in respect of Group and subsidiaries, audited by KPMG LLP.

The 2021 audit fee in respect of IPG Cayman LP has been pro-rated to reflects its de-consolidation in November 2021.

7. Operating profit

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

	2021 **£m**	2020 £m
Depreciation of tangible assets	(1.6)	(1.4)
Employee costs (see note 9)	(22.5)	(20.6)
Loss on disposal or deconsolidation of subsidiary (see note 21)	(3.8)	–

8. Other administrative expenses

Other administrative expenses comprise:

	2021 **£m**	2020 £m
Employee costs (see note 9)	22.5	20.6
IFRS3 charge in respect of acquisition of subsidiary[1]	–	1.2
Professional Services	5.5	5.4
Consolidated portfolio company costs	0.1	0.4
Depreciation of tangible assets	1.6	1.4
Other expenses	3.5	0.4
	33.2	29.4

1 Costs of £nil (2020: £1.2m) 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:

	2021 **£m**	2020 £m
Salaries	12.6	11.9
Defined contribution pension cost	1.0	1.0
Share-based payment charge (see note 22)	2.6	2.9
Other bonuses accrued in the year	4.8	3.4
Social security	1.4	1.3
	22.4	20.5

The average monthly number of persons (including executive directors) employed by the Group during the year was 104, all of whom were involved in management and administration activities (2020: 103).

10. Taxation

	2021 **£m**	2020[(i)] £m
Current tax		
UK corporation tax on profits for the year	–	–
Foreign tax	0.1	0.1
	0.1	0.1
Deferred tax	5.2	0.6
Total tax	5.3	0.7

(i) The 2020 deferred tax balance of £0.7m was included in 'Trade and other payables' and in note 17 'Other accruals and Deferred income'. In the current year deferred tax is disclosed separately in the Consolidated statement of financial position.

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

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

	2021 £m	2020 £m
Profit before tax	454.6	186.1
Tax at the UK corporation tax rate of 19% (2020: 19%)	86.4	35.4
Expenses not deductible for tax purposes	3.3	2.8
Income not taxable	(15.4)	(15.7)
Amortisation on goodwill arising on consolidation	0.1	–
Non-taxable income on deconsolidation of Mobilion	0.1	–
Fair value movement on investments qualifying for SSE	(79.0)	(27.4)
Movement on share-based payments	0.4	0.5
Movement in tax losses arising not recognised	8.0	5.1
Rate change on foreign tax	1.4	–
Total tax charge	5.3	0.7

At 31 December 2021, deductible temporary differences and unused tax losses, for which no deferred tax asset has been recognised, totalled £264.4m (2020: £267.1m). An analysis is shown below:

	2021		2020	
	Amount £m	**Deferred tax £m**	Amount £m	Deferred tax £m
Accelerated capital allowances	(0.2)	(0.1)	(0.3)	(0.1)
Share-based payment costs and other temporary differences	(25.8)	(6.4)	(8.7)	(1.6)
Unused tax losses	(238.4)	(59.6)	(258.1)	(49.0)
	(264.4)	(66.1)	(267.1)	(50.7)

At 31 December 2021, deductible temporary differences and unused tax losses, for which a deferred tax asset/(liability) has been recognised, totalled £23.7m (2020: £4.0m). An analysis is shown below:

	2021		2020	
	Amount £m	**Deferred tax £m**	Amount £m	Deferred tax £m
Temporary timing differences	78.4	19.5	39.5	7.5
Unused tax losses	(54.7)	(13.7)	(35.5)	(6.8)
	23.7	5.8	4.0	0.7

11. Earnings per share

Earnings	**2021 £m**	2020 £m
Earnings for the purposes of basic and dilutive earnings per share	448.5	185.4

Number of shares	**2021 Number of shares**	2020 Number of shares
Weighted average number of ordinary shares for the purposes of basic earnings per share	1,059,547,189	1,061,538,297
Effect of dilutive potential ordinary shares:		
Options or contingently issuable shares	16,431,907	6,664,196
Weighted average number of ordinary shares for the purposes of diluted earnings per share	1,075,979,096	1,068,202,493

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).

	2021 pence	2020 pence
Basic	42.33	17.47
Diluted	41.68	17.36

12. Categorisation of financial instruments

Financial assets	At fair value through profit or loss £m	Amortised cost £m	Total £m
At 31 December 2021			
Equity investments	1,391.8	–	1,391.8
Debt investments	22.8	–	22.8
Limited and limited liability partnership interests	92.9	–	92.9
Trade and other receivables	–	6.9	6.9
Receivable on sale of debt and equity investments	42.3	–	42.3
Deposits	–	216.2	216.2
Cash and cash equivalents	–	105.7	105.7
At 31 December 2021	1,549.8	328.8	1,878.6
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 31 December 2020	1,184.9	289.2	1,474.1

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 (2020: 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 (2020: 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. Equity and Debt Investments

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 equity investments in spin-out companies £m	Debt investments in unquoted spin-out companies £m	
At 1 January 2021	83.4	1,040.6	38.7	1,162.7
Investments during the year	4.8	89.7	9.2	103.7
Transaction-based reclassifications during the year	–	23.8	(23.8)	–
Deconsolidation of United States portfolio	–	(109.4)	(3.3)	(112.7)
Transfers from investment in Limited Partnership funds	–	3.5	–	3.5
Other transfers between hierarchy levels during the year	383.2	(383.2)	–	–
Disposals during period	(80.8)	(76.7)	(1.6)	(159.1)
Fees settled via equity	–	0.5	–	0.5
Change in revenue share(i)	–	0.1	–	0.1
Change in fair value in the year(ii)	272.1	140.2	3.6	415.9
At 31 December 2021	**662.7**	**729.1**	**22.8**	**1,414.6**
At 1 January 2020	117.5	904.4	23.7	1,045.6
Investments during the year	6.0	38.9	22.6	67.5
Transaction-based reclassifications during the year	–	4.9	(4.9)	–

	Level 1	Level 3		Total £m
	Equity investments in quoted spin-out companies £m	Unquoted equity investments in spin-out companies £m	Debt investments in unquoted spin-out companies £m	
Other transfers between hierarchy levels during the year	0.4	3.2	(3.6)	–
Disposals	(80.7)	(17.0)	(0.9)	(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	106.9	1.8	148.9
At 31 December 2020	83.4	1,040.6	38.7	1,162.7

(i) For description of revenue share arrangement see description in Note 19.

(ii) The change in fair value in the year includes a gain of £4.6m (2020: loss of £4.6m) 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 £143.8m (2020: gain of £108.7m).

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

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 amended our analysis of recent financing transactions in 2020 to show transactions within 9 months. In 2021, we have reverted to the using 12 months.

	2021 £m	2020 £m
Quoted	662.7	83.4
Recent financing <12 months (2020: <9 months)	383.4	286.9
Recent financing >12 months (2020: >9 months)	65.6	118.1
Other: Future market/commercial events	37.8	438.9
Other: Adjusted recent financing price based on past performance	142.3	92.4
Other: DCF / Revenue multiple	100.0	104.3
Debt	22.8	38.7
Investment portfolio	1,414.6	1,162.7

In addition to recent financing transactions, significant unobservable inputs used in the fair value measurement include:

For valuations based primarily Future market/commercial events

- Financing & sale transactions, other market input or commercial events occurring after the valuation date but which are judged to be wholly or partially indicative of facts and circumstances in existence at the balance sheet date
- Scenario probabilities

For valuations based primarily on adjusted recent financing price based on past performance

- Portfolio-company specific milestone analysis

For valuations based primarily on DCF or Revenue Multiples

- Estimated clinical trial success rates
- Estimated pharmaceutical collaboration milestone and royalty payments
- Discount factors
- Range of appropriate revenue multiples

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

The Group has considered the impact of ESG and climate change issues on its portfolio, including performing a materiality assessment which suggested the Group's portfolio has a relatively low level of climate change risk, and clear areas of opportunity via the Group's cleantech investments. We believe our current valuation approach, based largely on quoted valuations and recent financing transactions reflect market participant assessment of the ESG and climate risks and opportunities of our portfolio.

Valuation sensitivities

The largest individual asset within the 'DCF / Revenue multiple' category above is Istesso Limited, whose equity is valued at £82.0m as at 31 December 2021 (2020: £82.0m). The primary valuation basis for this company is a DCF model, whose key inputs include: clinical trial & drug approval success rates, the estimated value and structure of a potential pharmaceutical partnership post successful Ph2b clinical trial data including quantum and timing of milestone payments, an estimate of addressable Rheumatoid Arthritis market for

Istesso's drug and associated market share and royalty rates, and relevant discount rates. Our estimated range for the value of the Group's equity investment in Istesso based on this DCF model is £66m to £103m.

Other than as noted above for Istesso, for assets valued on 'other' methods in the table above, due to the large number of inputs used in the valuation of these assets, any range of reasonably possible alternative assumptions does not significantly impact the fair value and hence does not require disclosure.

The table below summarises the impact of a 10% 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.

	2021 £m	2020 £m
Recent financing <12 months (2020: <9 months)	38.3	28.7
Recent financing >12 months (2020: >9 months)	6.6	11.8
Future market/commercial events	3.8	43.9
Adjusted recent financing price based on past performance	14.2	9.2
DCF / Revenue multiple	10.0	10.4
Debt	2.3	3.9
Total unquoted portfolio	75.2	107.9

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 £380.2m (2020: £0.4m). Transfers between level 1 and level 3 would occur when a quoted investment's market becomes inactive, or the portfolio company elects to delist. There have been no instances in the current year (2020: 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	**2021 £m**	2020 £m
Fair value gains	479.0	224.8
Fair value losses	(63.1)	(75.9)
	415.9	148.9

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

14. Gain on disposal of equity investments

	2021 £m	2020 £m
Disposal proceeds	213.4	191.0
Movement in amounts receivable on sale of debt and equity investments	27.2	(9.9)
Carrying value of investments	(159.1)	(98.6)
Profit on disposal	81.5	82.5

Profit on disposal of investments is calculated as disposal proceeds plus deferred and contingent consideration receivable in respect of the sale, less the carrying value of the investment at the point of disposal.

The subsequent receipt of deferred and contingent consideration amounts is reflected in the above table as positive amount of disposal proceeds and a negative movement in amounts receivable on sale of debt and equity investments, resulting in no overall movement in profit on disposal.

15. Trade and other receivables

Current assets	**2021 £m**	2020 £m
Trade debtors	1.7	1.5
Prepayments	0.4	0.6
Right of use asset	1.2	0.8
Other receivables	3.6	0.7
	6.9	3.6

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.

16. Receivable on sale of debt and equity investments

	2021 £m	2020 £m
Deferred and contingent consideration (non-current)	31.3	–
Deferred and contingent consideration (current)	11.0	15.3
	42.3	15.3

Deferred and contingent consideration relates to amounts receivable respect of the sale of portfolio investments WaveOptics limited (£23.9m), Enterprise Therapeutics Limited (£14.0m), Athenex Inc. (£4.3m) and Perpetuum Limited (£0.2m). (2020: Enterprise Therapeutics Limited (£13.0m) and Dukosi Limited (£2.0m)).

17. Trade and other payables

Current liabilities	2021 £m	2020 £m
Trade payables	0.5	0.6
Social security expenses	1.0	0.8
Bonus accrual	3.3	2.8
Lease liability	1.3	0.9
Payable to Imperial College and other third parties under revenue share obligations (see note 19)	8.4	2.1
Other accruals and deferred income	4.2	3.8
	18.7	11.0

18. Borrowings

Current liabilities	2021 £m	2020 £m
EIB debt facility	15.4	15.4
	15.4	15.4

Non-current liabilities	2021 £m	2020 £m
Loans drawn down from the Limited Partners of consolidated funds	18.7	32.9
EIB debt facility	36.4	51.9
	55.1	84.8

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.

As at 31 December, loans from Limited Partners of consolidated funds comprised loans into IP Venture Fund II LP £18.7m (2020: £17.5m) and in the prior year into IPG Cayman LP (2020: £15.4).

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	£6.0m	Dec 2015	Floating, linked to SONIA	5 years	Jan 2019
IP Group Facility, tranche 2	£15.0m	£6.0m	Dec 2017	Fixed 3.016%	5 years	Jan 2019
Touchstone Facility A, tranche 1	£15.0m	£5.0m	Jul 2013	Floating, linked to SONIA	12 years	Jan 2015
Touchstone Facility A, tranche 2	£15.0m	£6.7m	Jul 2015	Fixed 4.235%	10 years	Jan 2017
Touchstone Facility B	£50.0m	£28.1m	Feb 2017	Fixed 3.026%	8 years	Jul 2018
Total	**£110.0m**	**£51.8m**				

Loans totalling £40.8m (2020: £51.7) are subject to fixed interest rates and are recognised at amortised cost. The fair value of these loans as at 31 December 2021 is £43.0m (2020: £53.9m).

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 an amount of unencumbered funds freely available to the Group set with reference to the outstanding EIB facility which was £6m in December 2021 (2020 £15m). 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 6:1. The Group must maintain that the amount of unencumbered funds freely available to the Group set with reference to the outstanding EIB facility which was £16.9m in December 2021 (2020 £30m). 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 including undiscounted cash flows and fixed interest was as follows:

	2021 £m	2020 £m
Due within 6 months	8.3	8.5
Due 6 to 12 months	8.2	8.4
Due 1 to 5 years	38.5	51.4
Due after 5 years	–	3.2
Total (i)	55.0	71.5

The maturity profile of the borrowings was as follows:

	2021 £m	2020 £m
Due within 6 months	7.7	7.7
Due 6 to 12 months	7.7	7.7
Due 1 to 5 years	36.4	48.8
Due after 5 years	–	3.1
Total (i)	51.8	67.3

A reconciliation in the movement in debt is as follows:

	2021 £m	2020 £m
At 1 January	67.3	82.7
Amortisation of costs	(0.1)	–
Repayment of debt	(15.4)	(15.4)
At 31 December(i)	51.8	67.3

(i) These are gross amounts repayable and exclude costs of £nil (2020: £0.1m) incurred on obtaining the loans and amortised over the life of the loans.

There were no non-cash movements in debt.

19. Revenue share liability

	2021 £m	2020 £m
Current liabilities: revenue share liability (note 17)	8.4	2.1
Non-current liabilities: revenue share liability (note 13)	13.1	12.9
	21.5	15.0

Prior to 2018, the Group operated the Technology Transfer Office of Imperial College, under a contract referred to as the Technology Pipeline Agreement ("TPA"). Under the terms of this TPA, the Group owns licenses, patents and equity in spin-out companies generated through IP commercialised from Imperial College but is subject to various revenue-sharing arrangements whereby income generated from this IP is shared with Imperial College (and other third parties where they have provided funding to research which is subsequently commercialised). These are categorised into short term and long term liabilities as follows:

Short term liabilities: Revenue share arrangement

These represent a share of invoiced revenue in respect of licenses and patents governed by the TPA, and a share of proceeds from the disposal of equity where a disposal of equity which is subject to revenue share (see further details below) has taken place. The maturity date on such liabilities is typically less than six months.

Long term liabilities: Revenue share arrangement

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 2021, equity investments which were subject to revenue sharing obligations totalled £13.1m (2020: £12.9m). A corresponding non-current liability is recognised in respect of these revenue sharing obligations based on the fair value of the related assets. There is no fixed maturity on the liability as its value is crystalised on sale of the linked portfolio equity investment.

20. Share capital

	2021		2020	
Issued and fully paid:	**Number**	**£m**	Number	£m
Ordinary shares of 2p each				
At 1 January	1,062,353,734	21.3	1,059,144,595	21.2
Issued in respect of post-acquisition services	–	–	3,209,139	0.1
Issued in respect of scrip dividend	679,553	–	–	–
Share Capital at 31 December	**1,063,033,287**	–	**1,062,353,734**	**21.3**
Purchase of treasury shares	(22,279,127)	–	–	–
Outstanding At 31 December	**1,040,754,160**	**21.3**	**1,062,353,734**	**21.3**

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.

During the year the Company purchased 22,279,127 ordinary shares, with an aggregate value of £27.0m, and they are held in treasury. Retained profits have been reduced by £27.2m, being the net consideration paid for these shares, including the expenses directly relating to the treasury share purchase.

21 Deconsolidation and disposal of subsidiaries

Total loss on deconsolidation/disposal:

	2021 £m	2020 £m
Deconsolidation of IPG Cayman LP	(3.0)	**–**
IPG Cayman LP	(0.8)	**–**
Total income statement amount	(3.8)	–

In November the Group sold the subsidiary IP Group Inc to the local management team for nil consideration. The net assets on disposal were £0.8m, of which £0.6m was cash. The transaction gave rise to a £0.8m loss on disposal. No shares were retained in IP Group inc.

During the year, the group determined that it no longer controlled IPG Cayman LP. The rationale for IPG Cayman LP's re-categorisation as a non-consolidated fund is set out in note 3. The impact of this change is to de-recognise the underlying assets and liabilities of IPG Cayman LP from November 2021, and instead recognise the Group's 58.1% share in the fund, with the following impact on the financial statements:

IPG Cayman LP net assets de-recognised	**2021 £m**
Equity investments	109.4
Debt investments	3.3
Trade and other receivables	0.2
Cash and cash equivalents	6.6
Non-controlling interest	(4.7)
Trade and other payables	(0.6)
Loans from limited partners of consolidated funds	(41.5)
Net assets de-recognised	72.7
Amounts recognised: Limited liability partnership interest as at 30 November 2021 (see note 24)	69.7
Loss on deconsolidation:	(3.0)

22. Share-based payments

In 2020, the Group continued to incentivise employees through its LTIP and AIS.

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 2021	**Weighted-average exercise price 2021**	Number of options 2020	Weighted-average exercise price 2020
At 1 January	743,489	–	462,440	–
AIS deferral shares award during the year	975,254	–	651,324	–
Exercised during the year	(407,128)	–	(370,275)	–
Forfeit during the year	–	–	–	–
At 31 December	1,311,615	–	734,489	–
Exercisable at 31 December	10,699	–	8,938	–

The options outstanding at 31 December 2021 had an exercise price of £nil (2020: £nil) and a weighted-average remaining contractual life of 0.6 years (2020: 0.7 years).

The weighted average share price at the date of exercise for share options exercised in 2021 was 121.3p (2020: 63.0p).

As the 2021 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 2021.

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.

The 2021 LTIP awards were made on 6 May 2021. The awards will ordinarily vest on 31 March 2024, 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 2021 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 2021 to 31 December 2023, and TSR increasing by 15% per year on a cumulative basis from the date of award to 31 March 2024, 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 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 did not meet the threshold performance target and lapsed on 31 March 2021.

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

	Number of options 2021	**Weighted-average exercise price 2021**	Number of options 2020	Weighted-average exercise price 2020
At 1 January	18,853,309	–	15,659,755	–
Lapsed during the year	(4,753,071)	–	(4,372,492)	–
Forfeited during the year	(1,790,049)	–	(357,136)	–
Notionally awarded during the year	4,803,442	–	7,923,182	–
At 31 December	17,113,631	–	18,853,309	–
Exercisable at 31 December	–	–	–	–

The options outstanding at 31 December 2021 had an exercise price in the range of £nil (2020: £nil) and a weighted-average remaining contractual life of 1.1 years (2020: 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:

	2021	2020
Share price at date of award	£1.254	£0.614
Exercise price	£nil	£nil
Fair value at grant date	£0.35	£0.20
Expected volatility (median of historical 50-day moving average)	39%	38%
Expected life (years)	3.0	3.0
Expected dividend yield	0%	0%
Risk-free interest rate	0.3%	(0.1%)

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 2021	**Weighted-average exercise price 2021**	Number of options 2020	Weighted-average exercise price 2020
At 1 January	386,794	0.01	740,056	0.01
Forfeited during the year	–	0.01	(54,452)	0.01
Lapsed during the year	(258,958)	0.01	(267,105)	0.01
Vested during the year	(25,803)	0.01	(31,705)	0.01
At 31 December	102,033	0.01	386,794	0.01
Exercisable at 31 December	–	–	–	–

The options outstanding at 31 December 2021 had an exercise price of 1.366p (2020: 1.366p) and a weighted-average remaining contractual life of 0.9 years (2020: 1.2 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 2021	**Weighted-average exercise price 2021**	Number of options 2020	Weighted-average exercise price 2020
At 1 January	1,078,099	2.13	1,078,099	2.13
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 2021 had an exercise price of £2.13 (2020: £2.13) and a weighted-average remaining contractual life of 2.9 years (2020: 3.9 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 £2.6m (2020: £2.9m).

23. Long-Term incentive carry scheme - Carried interest plan liability

	2021 £m	2020 £m
At 1 January	19.3	5.5
Charge for the year	17.2	14.3
Payments made in the year	(3.4)	(0.5)
At 31 December	33.1	19.3

The carry scheme accrual is the combined total of the following carry schemes:

	2021 £m	2020 £m
IP Group historic scheme	16.6	10.7
IP Group current scheme	6.8	2.4
Touchstone scheme	9.7	6.2
At 31 December	33.1	19.3

The IP Group historic carry scheme was in place between the creation of the scheme in 2011 and January 2018. Portfolio companies were allocated to carry vintages based on the date of IP Group's first investment into each company, and follow-on investments into companies all fell within the same carry vintage. Within this scheme there were vintages for years 2011-2013, 2014-2015 and 2016-2017.

The IP Group current carry scheme started from February 2018 and is the scheme still in place at the reporting date. Under this scheme, the individual investments made by IP Group are allocated to carry vintages based on the date of each investment, and so investments within one portfolio company can fall within several different vintages. Within this scheme there are vintages 2018-2020 and 2021-2023.

The Touchstone carry scheme was operated by Touchstone Innovations plc prior to its acquisition by IP Group plc in October 2017. Investments within this scheme relate to the former Touchstone companies, several of which fall within the IP Group current scheme as well.

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 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 1 January 2021	**22.2**
Investments during the year	3.0
Distribution from limited partnership funds	(0.5)
Transfer to equity investments	(3.5)
Recognition of interest in IPG Cayman LP following deconsolidation (see notes 3 and 21)	69.7

Change in fair value during the year	1.8
At 31 December 2021	**92.9**

The Group considers interests in limited and limited liability partnerships to be level 3 in the fair value hierarchy throughout the current and previous financial years. If the assumptions used in the valuation techniques for the Group's holding in each company are varied by using a range of possible alternatives, there is no material difference to the carrying value of the respective spin-out company. The effect on the consolidated statement of comprehensive income for the period is also not expected to be material

Limited and limited liability partnership interests carrying values

	2021 **£m**	2020 £m
Apollo Therapeutics LLP	**–**	2.8
Technikos LLP	**2.6**	2.1
UCL Technology Fund LP	**17.7**	17.3
IPG Cayman LP	**72.6**	–
At 31 December	**92.9**	22.2

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, IP Venture Fund II LP is deemed to be controlled by IP Group and is accordingly consolidated in the group financial statements. IP Group has a 33.3% holding in the fund (2020: 33.3%).

The following is summarised financial information for IP Group, prepared in accordance with IFRS. The information is before inter-company eliminations with other companies in the Group.

	IP Venture Fund II LP	
	2021 **£m**	2020 £m
Loss for the year	**(2.4)**	(3.0)
Loss attributable to NCI	**(1.6)**	(2.0)
Current assets	**0.1**	0.1
Non-current assets	**24.0**	24.4
Current liabilities	**(0.6)**	(0.3)
Non-current liabilities	**(28.1)**	(26.4)
Net liabilities	**(4.6)**	(2.2)
Net liabilities attributable to NCI	**(3.1)**	(1.5)
Cash flows from operating activities	**1.4**	0.5
Cash flows from investing activities	**(1.4)**	(1.1)
Cash flows from financing activities	**–**	–
Net increase in cash and cash equivalents	**–**	(0.6)

NCI balance sheet amounts:

	2021 **£m**	2020 £m
IP Venture Fund II LP as per above	**(3.1)**	(1.5)
IPG Cayman LP	**–**	2.0
Balance at 31 December	**(3.1)**	0.5

NCI income statement amounts:

	2021 **£m**	2020 £m
IP Venture Fund II LP	**(1.6)**	(2.0)
IPG Cayman LP	**2.7**	2.0
Total income statement amount	**1.1**	**–**

26. Related party transactions

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

a) Key management transactions

i) Key management personnel transactions

The following key management held shares in the following spin-out companies as at 31 December 2021:

Director/ PDMR	Company name	Number of shares held at 1 January 2021	Number of shares acquired/ (disposed of) in the period	**Number of shares held at 31 December 2021**	%
Greg Smith	Alesi Surgical Limited	2	-	2	<0.1%
	Crysalin Limited	149	-	149	<0.1%
	Deepverge plc [1,2,4]	725	-	725	<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 – A Shares	313,425	-	313,425	0.28%
	Itaconix plc	4,500	-	4,500	<0.1%
	Perachem Holdings plc [1,6]	4,830	(4,830)	-	0.0%
	Mirriad Advertising plc	16,667	-	16,667	<0.1%
	Oxbotica Limited	8	-	8	<0.1%
	Oxford Nanopore Technologies plc [5]	1,600	25,408	27,008	<0.1%
	Surrey Nanosystems Limited	88	-	88	<0.1%
	Tissue Regenix Group plc	50,000	-	50,000	<0.1%
	Xeros Technology Group plc [3]	13	-	13	<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 plc [5]	174	2,610	2,784	<0.1%
	Ultraleap Holdings Limited	2,600	-	2,600	<0.1%
	Zeetta Networks Limited	424	-	424	0.11%
Mark Reilly	Actual Experience plc	65,500	(37,500)	28,000	<0.1%
	Bramble Energy Limited	16	-	16	<0.1%
	Diurnal Group plc	7,500	-	7,500	<0.1%
	Itaconix plc	377,358	-	377,358	<0.1%
	Mirriad Advertising plc	66,666	-	66,666	<0.1%
	Oxbotica Limited	8	-	8	<0.1%
	Ultraleap Holdings Limited	1,700	-	1,700	<0.1%
	WaveOptics Limited [1]	308	(308)	-	0.0%
Sam Williams	Accelercomm Limited	127	-	127	<0.1%
	Alesi Surgical Limited	1	-	1	<0.1%
	Creavo Medical Technologies Limited	23	-	23	<0.1%
	Diurnal Group plc	85,248	28,571	113,819	<0.1%
	Genomics plc	333	-	333	<0.1%
	Ibex Innovations Limited	-	1,701	1,701	<0.1%
	Istesso Limited	7,048,368	-	7,048,368	8.89%
	Microbiotica Limited	7,000	-	7,000	<0.1%
	Mirriad Advertising plc	3,333	-	3,333	<0.1%
	Oxbotica Limited	3	-	3	<0.1%
	Oxehealth Limited	27	6	33	<0.1%
	Oxford Nanopore Technologies plc [5]	785	17,755	18,540	<0.1%
	Topivert Limited	1,000	-	1,000	<0.1%
	Ultraleap Holdings Limited	558	-	558	<0.1%
Joyce Xie	Bramble Energy Limited	88	-	88	<0.1%
	Creavo Medical Technologies Limited	21	-	21	<0.1%
	Istesso Limited	4,504	-	4,504	<0.1%
	Mirriad Advertising plc	4,839	-	4,839	<0.1%
	Ultraleap Holdings Limited	1,585	-	1,585	<0.1%
	WaveOptics Limited [1]	462	(462)	-	0.0%
Lisa Patel	Alesi Surgical Limited	1	-	1	<0.1%
	Creavo Medical Technologies Limited	23	-	23	<0.1%

Director/ PDMR	Company name	Number of shares held at 1 January 2021	Number of shares acquired/ (disposed of) in the period	**Number of shares held at 31 December 2021**	%
	Diurnal Group plc	37,500	-	37,500	<0.1%
	Istesso Limited	3,477,833	-	3,477,833	4.39%
	Microbiotica Limited	3,000	-	3,000	<0.1%
	Mirriad Advertising plc	3,333	-	3,333	<0.1%
	Oxford Nanopore Technologies plc [5]	340	9,113	9,453	<0.1%
	Topivert Limited	1,000	-	1,000	<0.1%
	Ultraleap Holdings Limited	1,317	-	1,317	<0.1%
Elizabeth Vaughan-Adams	Amaethon Limited – Ordinary Shares	2	-	2	<0.1%
	Amaethon Limited – A Ordinary Shares	8	-	8	<0.1%
	Amaethon Limited – B Shares	929	-	929	<0.1%
	Creavo Medical Technologies Limited	23	-	23	<0.1%
	Crysalin Limited	100	-	100	<0.1%
	Deep Matter Group plc	82,393	-	82,393	<0.1%
	Deepverge plc [1,2,4]	1,078	-	1,078	<0.1%
	Ditto AI Limited	758,185	1,500,000	2,258,185	<0.1%
	Diurnal Group plc	4,844	-	4,844	<0.1%
	Emdot Limited	3	-	3	<0.1%
	First Light Fusion Limited	77	-	77	<0.1%
	Istesso Limited – A Shares	218,448	-	218,448	0.19%
	Mirriad Advertising plc	4,941	-	4,941	<0.1%
	Oxford Nanopore Technologies plc [5]	200	4,300	4,500	<0.1%
	Perachem Holdings plc [1,6]	14,285	(14,285)	-	0.00%
	Surrey Nanosystems Limited	53	-	53	<0.1%
	Tissue Regenix Group plc	75,599	-	75,599	<0.1%
	Ultraleap Holdings Limited	400	-	400	<0.1%
Angela Leach	Amaethon Limited – Ordinary Shares	2	-	2	<0.1%
	Amaethon Limited – B Shares	1,394	-	1,394	<0.1%
	Amaethon Limited – A Ordinary Shares	12	-	12	<0.1%
	Alesi Surigcal Limited	2	-	2	<0.1%
	Boxarr Limited	102	-	102	<0.1%
	Bramble Energy Limited	8	-	8	<0.1%
	Creavo Medical Technologies Limited	23	-	23	<0.1%
	Crysalin Limited	149	-	149	<0.1%
	Deep Matter Group plc	68,101	-	68,101	<0.1%
	Deepverge plc [1,2,4]	1,557	-	1,557	<0.1%
	Ditto AI Limited	180,308	-	180,308	<0.1%
	Diurnal Group plc	11,500	-	11,500	<0.1%
	Emdot Limited	4	-	4	0.23%
	First Light Fusion Limited	27	-	27	<0.1%
	Ieso Digital Health Limited - B2 Preferred Shares	-	29	29	<0.1%
	Istesso Limited - A Shares	322,923	-	322,923	0.29%
	Itaconix plc	4,500	-	4,500	<0.1%
	Mixergy Limited	-	206	206	0.03%
	Mirriad Advertising plc	16,667	-	16,667	<0.1%
	Oxbotica Limited	3	-	3	<0.1%
	Oxford Nanopore Technologies plc [5]	1,795	36,085	37,880	<0.1%
	Surrey Nanosystems Limited	78	-	78	<0.1%
	Tissue Regenix Group plc	146,791	-	146,791	<0.1%
	Ultraleap Holdings Limited	500	-	500	<0.1%
	Xeros Technology Group plc	16	-	16	<0.1%
Anthony York	*No holdings in IP Group portfolio companies*				

Individuals who became key management personnel on 6th October 2021

Key management personnel	Company name	Number of shares held at 6th October 2021	Number of shares acquired/(disposed) in the period	Number of shares held at 31st December 2021	%
Chris Glasson	8Power Limited	400	-	400	<0.1%
	Audioscenic Limited	967	-	967	<0.1%
	Creavo Medical Technologies Limited	105	-	105	<0.1%
	Istesso Limited	9,009	-	9,009	<0.1%
	Mirriad Advertising plc	8,064	-	8,064	<0.1%
	Oxbotica Limited	34	-	34	<0.1%
	Oxehealth Limited	328	-	328	<0.1%
	Topivert Limited – B2 Preferred Shares	3,000	-	3,000	<0.1%
	Ultraleap Holdings Limited	1,585	-	1585	<0.1%
Moray Wright	Mirriad Advertising plc	73,664	-	73,664	<0.1%
	OxSyBio Limited	20	-	20	<0.1%

Individuals who ceased to be key management personnel on 6th October 2021

Key management personnel	Company name	Number of shares held at 1st January 2021	Number of shares acquired/(disposed) in the period	Number of shares held at 6th October 2021	%
Alan Aubrey	Accelercomm Limited	638	-	638	0.12%
	Alesi Surgical Limited	18	-	18	<0.1%
	Amaethon Limited — A Ordinary Shares	104	-	104	3.12%
	Amaethon Limited — B Shares	11,966	-	11,966	1.04%
	Amaethon Limited — Ordinary shares	21	-	21	0.32%
	Boxarr Limited	1,732	-	1,732	0.24%
	Crysalin Limited	1,447	-	1,447	0.14%
	Deep Matter Group plc	1,425,000	-	1,425,000	0.15%
	Deepverge plc [1,2,4]	51,927	-	51,927	0.42%
	Ditto AI Limited - Ordinary Shares	1,097,912,028	823,794,068	1,921,706,096	13.62%
	Ditto AI Limited - B Shares	98,876,568	-	98,876,568	0.70%
	Diurnal Group plc	15,000	-	15,000	<0.1%
	EmDot Limited	15	-	15	0.87%
	Istesso Limited – A Shares	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%
	Oxbotica Limited	29	-	29	<0.1%
	Oxford Advanced Surfaces Limited	1	-	1	<0.1%
	Oxford Nanopore Technologies plc [5]	92,725	1,390,875	1,483,600	0.18%
	Perachem Holdings plc [1,6]	108,350	(108,350)	-	0%
	Salunda Limited	53,639	-	53,639	<0.1%
	Surrey Nanosystems Limited	453	-	453	0.22%
	Tissue Regenix Group plc	12,174,859	-	12,174,859	0.17%
	Xeros Technology Group plc	228	-	228	<0.1%
	Zeetta Networks Limited	424	-	424	0.11%
Mike Townend	Amaethon Limited — A Ordinary Shares	104	-	104	3.12%
	Amaethon Limited — B Shares	11,966	-	11,966	1.04%
	Amaethon Limited — Ordinary shares	21	-	21	0.32%

Key management personnel	Company name	Number of shares held at 1st January 2021	Number of shares acquired/(disposed) in the period	Number of shares held at 6th October 2021	%
	Applied Graphene Materials plc	22,619	-	22,619	<0.1%
	Creavo Medical Technologies Limited	117	-	117	<0.1%
	Crysalin Limited	1,286	-	1,286	0.13%
	Deep Matter Group plc	932,944	-	932,944	0.10%
	Deepverge plc [1,2,4]	66,549	(66,549)	-	0.00%
	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 – A Shares	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%
	Oxford Nanopore Technologies plc [5]	28,651	435,349	464,000	<0.1%
	Perachem Holdings plc [1,6]	113,222	(113,222)	-	0.00%
	Surrey Nanosystems Limited	404	-	404	0.19%
	Tissue Regenix Group plc	11,550,862	-	11,550,862	0.14%
	Ultraleap Holdings Limited	1,224	-	1,224	<0.1%
	Xeros Technology Group plc	355	-	355	<0.1%

1 No longer a portfolio company at the balance sheet date.

2 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.

3 Xeros Technology Group plc opening position restated following 100:1 share consolidation.

4 Disclosed number reflects position at the point that the company ceased to be an IP Group holding.

5 Oxford Nanopore Technologies plc underwent a 1:20 share split and reorganisation pre-IPO in September 2021

6. Perachem Holdings plc was liquidated in August 2021

ii) Key management personnel compensation

Key management personnel compensation comprised the following:

	2021 £000	2020 £000
Short-term employee benefits[(i)]	**4,016**	3,206
Post-employment benefits[(ii)]	**72**	65
Other long-term benefits	–	–
Termination benefits	–	–
Share-based payments[(iii)]	**1,325**	1,515
Total	**5,413**	4,786

(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.

b) Portfolio companies

i) Services

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

Statement of comprehensive income	**2021 £m**	2020 £m
Revenue from services	**0.3**	0.2

Statement of financial position	2021 £m	2020 £m
Trade receivables	**0.2**	0.3

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	2021 £m	2020 £m
Net portfolio gains	**56.5**	20.9

Statement of financial position	2021 £m	2020 £m
Equity and debt investments	**444.6**	500.8

c) Subsidiary companies

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

	2021 £m	2020 £m
Intercompany balances with other Group companies	**2.4**	2.6

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 2021, the Group's strategy, which was unchanged from 2020, 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 committees, 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 18.

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 2021:

	Year of commencement of commitment	Commitment £m	Invested to date £m	Remaining commitment £m
IP Venture Fund II LP	2013	10.0	8.2	1.8
UCL Technology Fund LP	2016	24.8	20.7	4.1
IP Cayman LP	2021	7.5	4.7	2.8
Total		**42.3**	**33.6**	**8.7**

29. Dividends

	2021 pence per share	£m	2020 pence per share	£m
Ordinary shares				
Interim dividend	0.48	5.1	-	-
Final dividend	1.0	10.7	-	-
Dividends paid to equity owners in the financial year	1.48	15.8	-	-
Proposed final dividend at financial year end	0.72	7.5		

Of the £15.8m dividends paid on 2021, £15.0m was settled in cash and £0.8m was settled via the issue of equity under the Group's scrip programme (2020: nil, nil).

The proposed final dividend was approved by the Board of Directors on 8 March 2022 and is subject to the approval of shareholders at the 2022 AGM to be held on 14 June 2022. The proposed dividend has not been included as a liability as at 31 December 2021, in accordance with IAS 10 'Events after the reporting period'. It will be paid on 30 June 2022 to shareholders who are on the Register of members at close of business on 27 May 2022.

	2021 pence per share	£m	2020 pence per share	£m
Ordinary shares				
Interim dividend	0.48	5.1	-	-
Final dividend	1.0	10.7	-	-

30. 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**	**2021 £m**	2020 £m
NAV per share(i)	Primary Statements, note 20	NAV per share is defined as Net Assets divided by the number of outstanding shares in issue. The measure shows net assets managed on behalf of shareholders by the Group per share in issue. It is a useful measure to compare to the Group's share price.	NAV	**£1,738.1m**	£1,331.9m
			Outstanding Shares	**1,040,754,160**	1,062,353,734
			NAV per share	167.0p	125.3p
Return on NAV	Primary statements note 4	Return on NAV is defined as the total comprehensive income or loss for the year excluding charges which do not impact on Net Assets, specifically 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. Return on NAV is defined as the total comprehensive income or loss for the year excluding charges which do not impact on 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. The measure shows a summary of the income statement gains and losses which directly impact NAV.	Total comprehensive income	449.6	185.4
			Excluding:		
			Share based payment charge	2.6	2.9
			IFRS3 charge in respect of acquisition of subsidiary	-	1.2
			Return on NAV	**452.2**	189.5
Net portfolio gains	note 13, 14, 21	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.	Change in fair value of equity and debt investments	415.9	148.9
			Gain on disposal of equity investments	81.5	82.5

APM	Reference for reconciliation	Definition and purpose	Calculation	2021 £m	2020 £m
		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 NAV which is a performance metric for directors' and employees' incentives.	**Net portfolio gains**	497.4	231.4
Total Portfolio	Consolidated statement of financial position note 13,24	Total portfolio is defined as equity and debt investments that we control and consolidate directly, our 'Investment Portfolio', plus interests in LP funds, most significantly our holding in IPG Cayman LP, our US platform, which is now reflected within this category following its deconsolidation in November 2021.	Equity investments	1,391.8	1,124.0
			Debt investments	22.8	38.7
			Limited and limited liability partnership interests	92.9	22.2
			Total Portfolio	1,507.5	1,184.9
Net (realisations)/ investment	Portfolio review Consolidated statement of cash flows, Note 13, 14	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	(103.7)	(67.5)
			Proceeds from sale of equity and debt investments	213.4	191.0
			Net realisations/(investment)	109.7	123.5
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	13.6	6.2
			Other administrative expenses	(33.2)	(29.4)
			Excluding:		
			Administrative expenses – consolidated portfolio companies	0.1	0.4
			IFRS3 charge in respect of acquisition of subsidiary	-	1.2
			Net overheads	(19.5)	(21.6)
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	105.7	127.6
			Deposits	216.2	142.7
			Cash	321.9	270.3

(i) In prior years Hard NAV was used to measure performance, now due to the immaterial size of intangible assets this has been replaced by NAV as the most appropriate measure.

31. Post balance sheet events

As of the reporting date, unrealised fair value losses in respect of the Group's quoted portfolio totalled £265m, largely in respect of Oxford Nanopore Technologies plc, which has seen a fair value loss of £233m since 31 December 2021.