



ipgroup



IP GROUP PLC

Annual Report
& Accounts

for the year ended 31 December 2021

Registration Number: 04204490
Stock Code: IPO

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Vision

Founded on the principle of evolving science and innovation into world-changing businesses, IP Group's vision has increasingly become that of contributing to a better future through the impact of science and technology-based business we have identified, backed, and grown together as long-term partners.

The Group is increasingly focusing capital, resources, and expertise on clear thematic areas, focusing on companies whose products and services will meaningfully contribute to a sustainable, healthier, tech-enriched future. We aim to accelerate those businesses whose addressable market, differentiators, and progress we consider are most compelling.

We have a 20-year track record and are proud to have helped create and build a portfolio of exciting businesses that are making a real difference. We are pioneering in our approach, passionate about what we do, principled in how we work and committed to delivering results for all our stakeholders.

Investment case

- Impactful purpose, strong alignment to the UN Sustainable Development Goals and focus on ESG.
- Exciting portfolio of high-growth companies in three key thematic areas.
- Access to the best IP and ideas from our networks, universities and research institutes.
- Permanent capital structure, unconstrained by traditional fixed-life VC fund approach.
- Deep technical and business-building expertise.
- Track record built over 20 years.
- Global Group with an international shareholder and co-investor network.

Disclaimer: This Annual Report and Accounts may contain forward-looking statements. These statements reflect the Board's current view, are subject to a number of material risks and uncertainties and could change in the future. Factors that could cause or contribute to such changes include, but are not limited to, the general economic climate and market conditions, as well as specific factors relating to the financial or commercial prospects or performance of individual companies within the Group's portfolio. Further details can be found in the Risk management section on pages 52 to 63.

Throughout this Annual Report and Accounts, IP Group plc and its subsidiaries are referred to as "IP Group", the "Group" or the "Company", as appropriate. The Group's holdings in portfolio companies reflect the undiluted beneficial equity interest excluding debt, unless otherwise explicitly stated.

HIGHLIGHTS

- Profit after tax increase of 142% to £449.3m (2020: £185.4m) with strong performance across all sectors
- NAV¹ of £1,738.1m, up 30%, or 167.0 pence per share (2020: £1,331.9m or 125.3pps)
- Cash realisations² 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 focused on next generation of portfolio companies within key thematic areas



Portfolio highlights

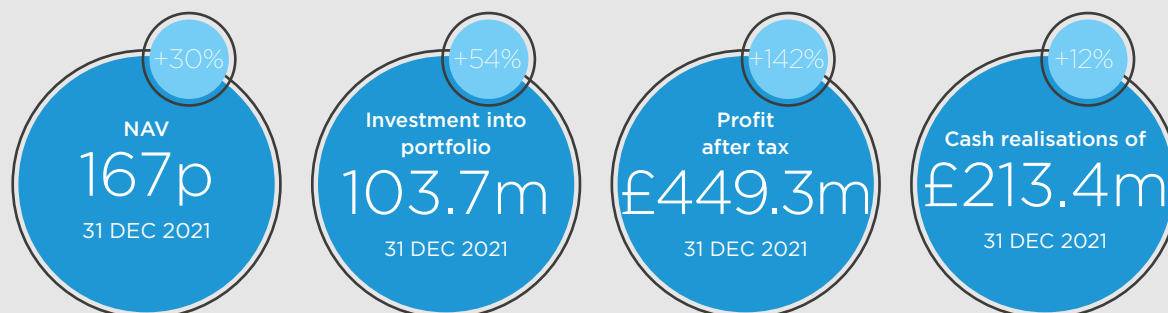
- Total portfolio value increase of 27% to £1,507.5m³ (2020: £1,184.9m)
- Net portfolio gains of £497.4m³ or 43%⁴ (2020: £231.4m or 22%)
- Flotation of Oxford Nanopore Technologies plc on the London Stock Exchange, priced at £3.4bn and cash realisation of £84.1m
- Sales of Inivata Ltd to NeoGenomics, 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 cash⁵ 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. Oxford Nanopore's share price has reduced from £6.98 at the year end to £4.13 on 14 March 2022. 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.



READ ABOUT [OUR STRATEGY](#) ON PAGES 24 TO 25



READ ABOUT [OUR PORTFOLIO](#) ON PAGES 30 TO 45

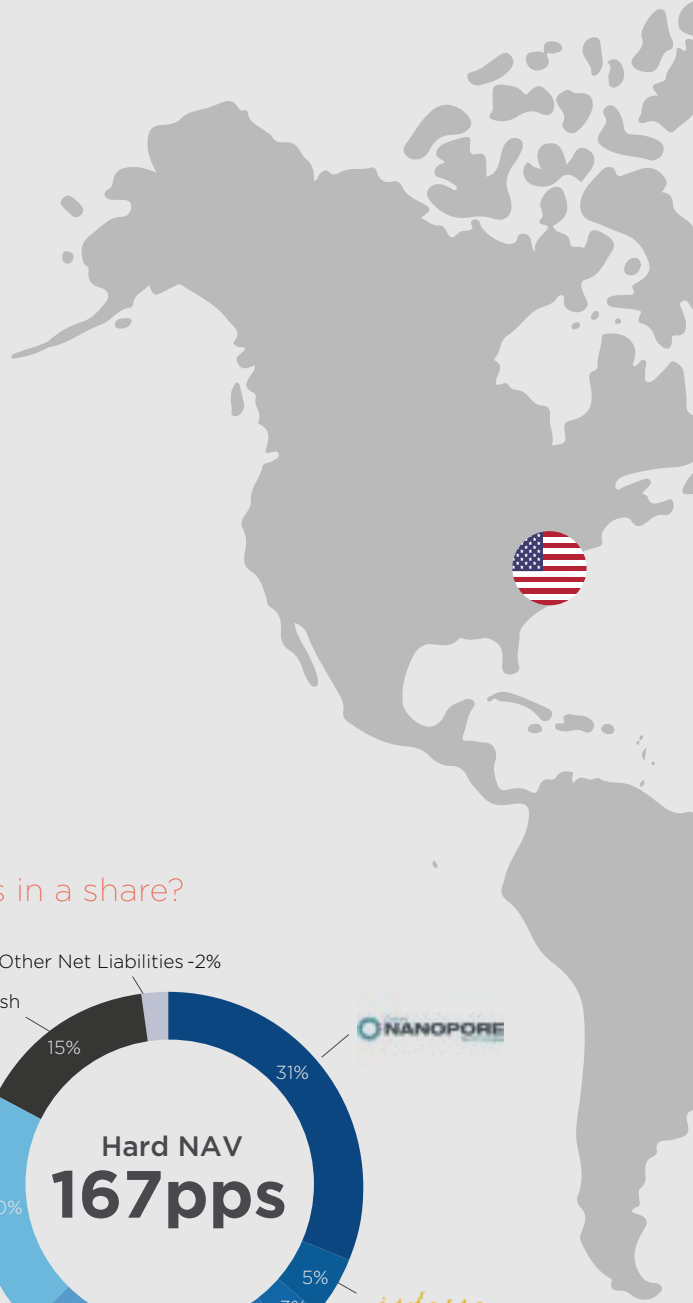
Group at a Glance

IP Group's vision has increasingly become contributing to a better future through the impact of the science and technology-based business we have identified, backed, and grown together as long-term partners.

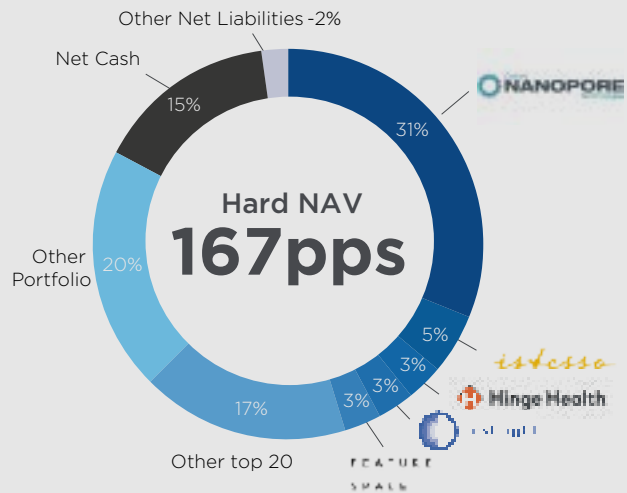
The Group is increasingly focusing capital, resources, and expertise on clear thematic areas, focusing on companies whose products and services will meaningfully contribute to a sustainable, healthier, tech-enriched future. We aim to accelerate those businesses whose addressable market, differentiators, and progress we consider are most compelling.

ENGAGEMENT AND IMPACT

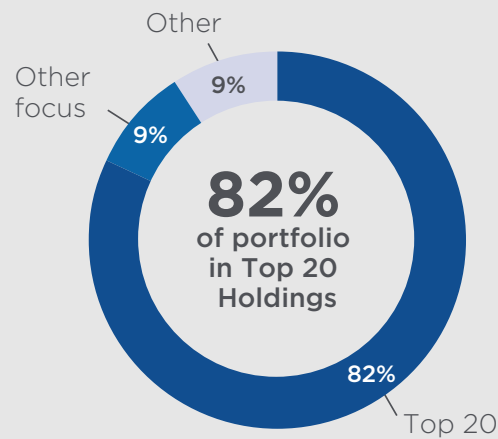
Since the Group was founded, we have formed and supported nearly 400 companies in total and have invested more than £850m into those businesses which, in turn, have raised more than £7.5bn of funding. We estimate that more than 5,000 jobs have been created through IP Group and its portfolio companies.

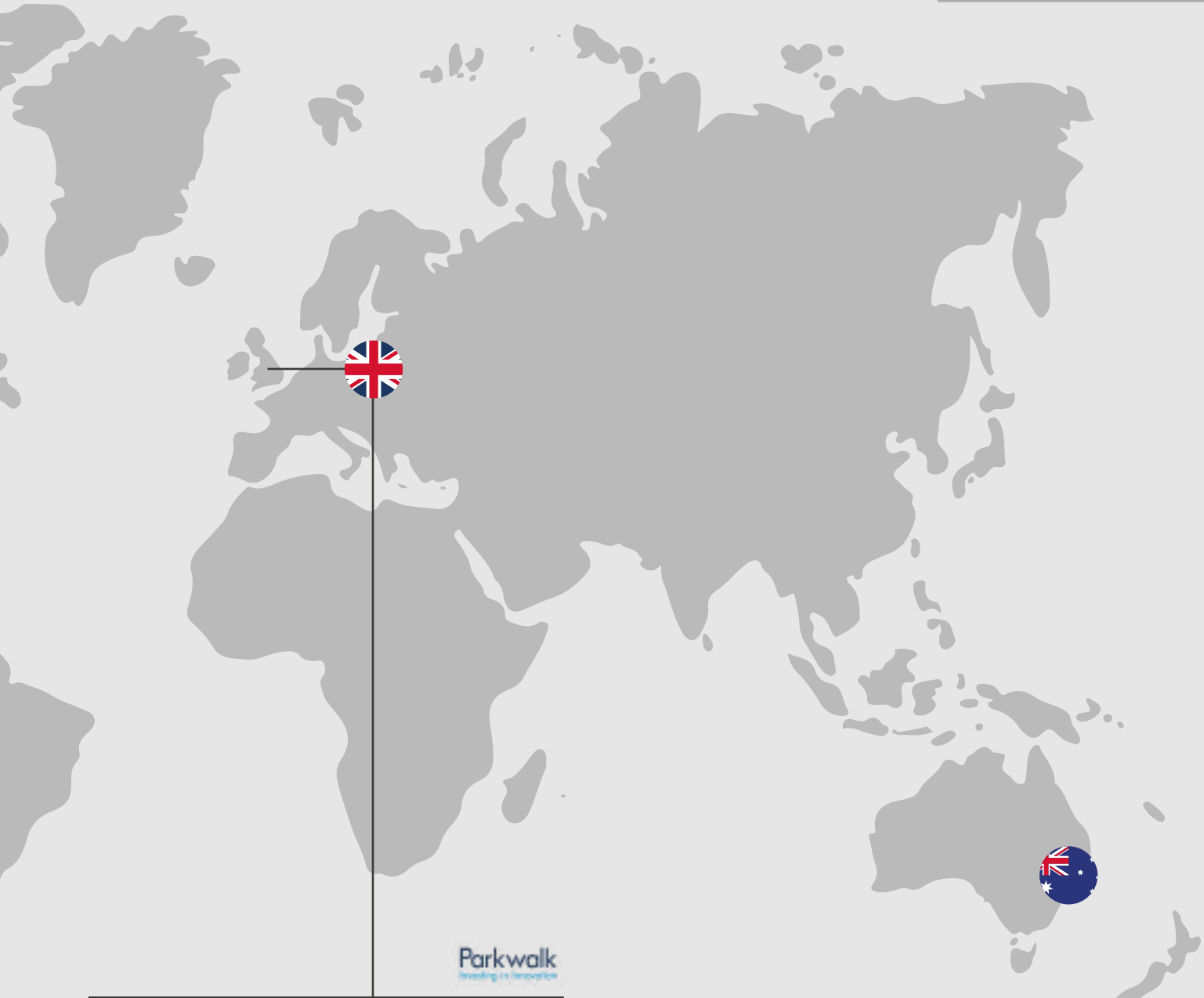


What's in a share?



Portfolio by focus





Portfolio analysis – UK breakdown

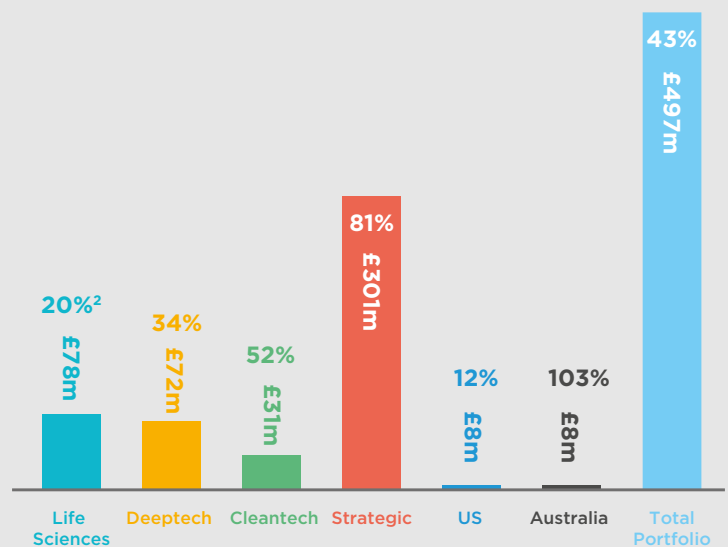
Sector	Value of companies (m)	No. of portfolio companies ¹
Life Sciences	414.9	36
Deeptech	226.3	34
Cleantech	100.9	12
Strategic	607.8	4
Organic & de minimis	10.4	-
Total UK Portfolio	1,360.3	86

¹ Excluding organic and de minimis (64 companies).

² Percentages reflect simple return on opening portfolio value.

Portfolio performance summary²

2021 portfolio fair value movements/return on opening portfolio



20 YEARS OF INNOVATION

IP Group starts life with a ground-breaking commercialisation deal with the **University of Oxford**

OCTOBER 2003

IP Group floats on **AIM** and starts life as a public company



2004

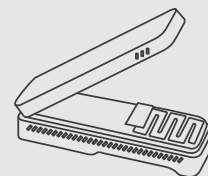
...followed swiftly by the first flotation of a company in our portfolio, **OHM**

2004/2005

IP Group acquires **Top Technology** and **Techtran** which is run by Alan Aubrey who, along with Ali Fielding, joins the IP Group Board

2005

IP Group becomes founder shareholder of Oxford NanoLabs (**Oxford Nanopore Technologies**) and Modern Biosciences (**istesso**). Today, these companies are our first and second most valuable asset



2006

IP Group is now partnered with **10 leading UK universities**: Oxford, Southampton, Leeds, King's, York, Bristol, Surrey, QM, Bath and Glasgow

2010

14 of our portfolio companies are now listed on **AIM** and net assets have grown to more than £173m

JUNE 2012

Proximagen sold for up to £357m with the initial cash to IP Group representing a multiple of 35 times our investment

2013

IP Group launches operations in **North America**, partnering initially with Penn and Columbia universities



MARCH 2014

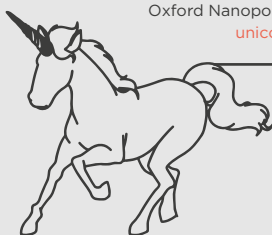
We acquire **Fusion IP** (its CEO David Baynes remains IP Group's CFO). The portfolio includes **Diurnal** and Medaphor (**Intelligent Ultrasound**), now both listed on AIM

MAY 2015

IP Group becomes a founder shareholder in **Oxford Sciences Enterprises**, backers of Vaccitech, home of the Oxford/AstraZeneca vaccine

2016

Oxford Nanopore becomes our **first unicorn**, worth over £1bn



MAY 2017

IP Group expands into **Australasia** on the back of a landmark deal with 9 leading universities



2017

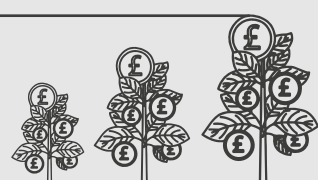
We acquire **Parkwalk Advisors**, the UK's biggest EIS investor. We acquire **Touchstone Innovations** and combine the portfolios to become one of the largest early-stage investors in Europe

2018

City grandee **Sir Douglas Flint** (former Chairman of HSBC and Chairman of ABRDN) joins as Chairman

2020

Many of our current and former **portfolio companies** play a leading role in the battle against the coronavirus pandemic



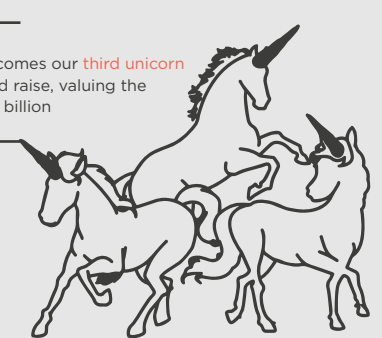
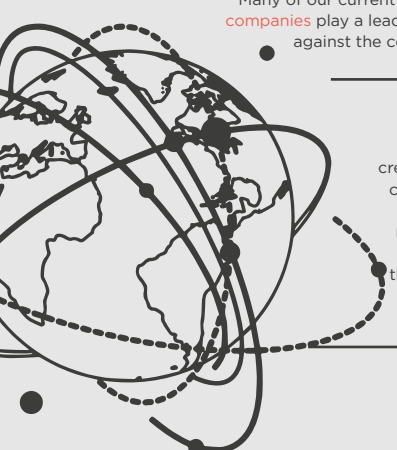
2020

We exit our holding in **Ceres Power Holdings** (our **second unicorn**), netting more than £128m of cash. Having first invested at a £1m valuation, IP Group exited when Ceres was worth more than £1bn

2021

Hinge Health becomes our **third unicorn** after \$300m fund raise, valuing the company at c.\$3 billion

Net assets are over **£1.7bn**. We have created more than 300 companies and 5,000 highly skilled jobs, mostly in the UK. We have invested more than £1.1bn in start-up companies



2021 OVERVIEW: IP GROUP'S 20TH YEAR

1



RECORD FINANCIAL YEAR:

- **£449M** PROFIT
- **£213M** CASH REALISATIONS
- **£270M** NET CASH

2



OXFORD NANOPORE TECHNOLOGIES FLOATED ON THE LSE PRICED AT **£3.4BN**, CASH REALISATION OF **£84.1M**

3



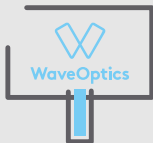
- SHAREHOLDER VALUE CREATION - **34% RETURN ON CAPITAL**
- **£42.8M** RETURNED TO SHAREHOLDERS THROUGH BUYBACK AND DIVIDENDS

4



SALE OF **INIVATA** TO **NEOGENOMICS, INC**

5



SALE OF **WAVEOPTICS** TO **SNAP, INC**

6



TOTAL FUNDS RAISED BY PORTFOLIO COMPANIES - **C.£2.4BN**

7



NEW JOINT VENTURE WITH **CHINA EVERBRIGHT LIMITED** TO LAUNCH A **£167M (RMB1.5BN)** FUND IN CHINA

8



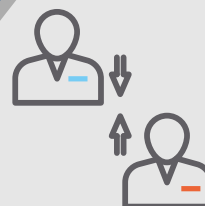
NORTH AMERICAN PLATFORM SECURED ADDITIONAL FUNDING BRINGING TOTAL RAISED IN H1 TO **\$59M**

9



CLEANTECH SHOWCASE AT **COP26** WITH PORTFOLIO COMPANIES **BRAMBLE ENERGY, FIRST LIGHT FUSION, C-CAPTURE, RFC POWER** AND **MIXERGY**

10



GREG SMITH APPOINTED CEO WITH **DAVID BAYNES** AS CFOO

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STRATEGIC REPORT



Chairman's Summary



Sir Douglas Flint

Chairman

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: £203.0m).

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



IP Group is 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."

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 RMB1.5bn (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 413p 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



Greg Smith

Chief Executive Officer

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 macroeconomic 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



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."

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 focusing 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 framework 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 focused 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	19.5%	Completion of \$45m Series C	Customer acquisition and revenue growth
Featurespace Limited	£51.6m	2020 revenues: £21m	
<i>Leading predictive analytics for fraud and cybercrime prevention</i>	£278m ¹	5-year compound annual growth rate in recurring revenue of 74%	Faster growth rate than projected market growth of 30%
		68 customers (Dec 2021)	
Healthier future	56.4%	200 subjects dosed with lead product MBS 2320	MBS 2320 Phase 2b data H12024
Istesso Limited	£85.6m	Positive Phase 2 proof of concept data achieved	Expansion of programme into multiple diseases areas/proof of concept studies
<i>Reprogramming metabolism to treat autoimmune disease</i>	£150m		Second product into clinic
			Start Phase 3 trial early 2025
Sustainable future	28.4%	Commissioning of hyper-velocity gas gun reactor	Validated fusion reaction
First Light Fusion	£57.3m		Series D fundraise
<i>Solving fusion power with the simplest machine possible</i>	£200m		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.

Chief Executive's Operational Review

continued

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 a 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 (+£32m), Inivata (+£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 focused 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 on page 18.

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 macroeconomic 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

Market



READ ABOUT [OUR THEMATIC FOCUS](#) ON [PAGES 11 TO 12](#)



READ ABOUT [OUR BUSINESS MODEL](#) ON [PAGES 16 TO 17](#)



MARKET ENVIRONMENT

While COVID-19 remained a major feature of 2021, equity markets continued their recovery in the year before coming under pressure again in 2022 due to geo-political uncertainties, heightened by the events in Ukraine, the ongoing pandemic-related economic issues as well as supply chain issues and inflationary pressures. In 2021, investors continued to look towards sectors and companies likely to emerge stronger in a post-pandemic world, generating interest in companies involved in IP Group's core thematic areas. Many IP Group-founded companies have played a key role in the response to the pandemic, including Oxford Nanopore, which provided tools for an unprecedented global effort to sequence and monitor the virus. Science as a driver for innovation is now widely understood and accepted and there is widespread recognition that scientific solutions are needed to address the major challenges facing the world. Record levels of capital have been committed to venture capital and growth focused funds in recent years with much yet to be deployed.

There remains, of course, 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 rotation out of growth companies. 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.



COMPETITION

The Group faces three main sources of competition – competition for innovation, capital, and talent. Firstly, we compete for access to great science and technology innovation with significant commercial potential. We source these ideas from the networks we have built over many years including with world-leading academic research institutions, having built long-term relationships with many of them. Here we compete with a variety of investors, ranging from local angel investors or seed funds, sector-specific venture funds and special purpose permanent capital vehicles focused on specific universities. Often, we will choose to collaborate on specific opportunities rather than compete. A key competitive advantage is being able to invest from balance sheet rather than through a fixed-life fund.

Secondly, the Group and our portfolio companies also compete in the capital markets against other investment opportunities for the funds required to develop these innovations into viable and compelling businesses. While the market for capital is very broad and deep, the Group's companies are typically seeking earlier stage and development risk capital, which is a much narrower sub-set of the broader capital markets. The key determining factors that impact on our ability to compete for capital are our long-term track record and the strength of our opportunity sourcing capability. Each portfolio company also faces competition in its chosen markets and often our companies are seeking to either create a new or emerging market or disrupt an existing market with a paradigm shift in technology.

Finally, we and our portfolio companies face increasing competition for the talent required to make our business model work. We are fundamentally a people driven business, relying heavily on the quality of our talent across a broad range of disciplines to deliver value for our shareholders. Developing global trends, sector and local market pressures all impact our, and our portfolio companies', ability to attract, retain and motivate talent. The increasing success of our model also means an increasing retention challenge. Our underlying mission and purpose positively differentiate us in this area, as does our strong and supportive culture. Overall, we continue to aspire to be an organisation full of high-quality, entrepreneurial people. We will continue to proactively build all areas of our talent offer to support and underpin this.



THEMATIC FOCUS AREAS

As we evolve our strategy, we are increasingly focusing our efforts to build greater critical mass in three key thematic areas.

In our life sciences team, we are working towards a healthier future with a view to curing 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).

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).

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. Examples in some of these areas include Oxbotica (universal autonomy software), Bramble Energy (fuel cell breakthrough), Mixergy (decarbonised home energy) and C-Capture (transforming carbon capture).

IP Group's key differentiators

We see the Group's key differentiators as being articulated by the following strengths, which we have built over the last 21 years of successful business building.



Access

Access to the best IP and ideas including from our networks as well as from the most preeminent universities and research institutes in the English-speaking world. Our positioning gives us access to a unique set of opportunities in science and technology.



Insight

Unique insight into the “next big thing” with a global and diverse perspective brought to each opportunity.



Science & business building expertise

We have developed genuine expertise in every stage of the business-building process. We have a network of trusted relationships with advisers, investors and partners built up over years.



Perspective

Our structure and approach enables a long-term perspective. We are mindful of, but not primarily driven by, short-term fund cycles and are focused on maximising long-term financial and societal return. Investing from our balance sheet capital is a significant advantage compared to fixed life funds as it means that we can co-found companies, ‘follow our money’ through subsequent funding rounds and are not obliged to sell our interests on an artificial timescale due to a specific fund closing date.



Imagination

We are flexible and open-minded in our approach, allowing us to be both entrepreneurial and creative in our response to opportunities and challenges. We are prepared to take significant, yet intelligent, risk, with a co-founder mindset.

Business Model

The Group aims to contribute to building a better world by unlocking the power of science. Our business model is to identify, co-found or create companies based on fundamental innovation, typically based on 'hard' science, and provide capital in return for a holding in such companies. We work with the teams at these companies, providing capital and support to grow the value of our holdings over time, before selling down in whole or over a period to generate the funds to ensure the ongoing sustainability of the Group. The science and innovation on which the companies are based has often been generated at one or more of the world's leading universities and research institutions. In addition, our teams increasingly seek to identify opportunities through the insights and access we have built over 20 years of successfully identifying, building, and growing science-based companies. We aim to achieve impact by addressing the world's most pressing challenges, allowing us to achieve a positive impact on the environment and society as well as a healthy financial return for our investors. Over the years, we have developed a differentiated approach to creating, building and supporting outstanding businesses along the journey from "cradle to maturity".

Capital and Resources Most Relevant to the Group

Intellectual capital

We work with the world's best scientists and entrepreneurs in our chosen territories, the UK, the US, Australia, and New Zealand. We focus our efforts in three key sectors, in life sciences focusing on a healthier future; in deeptech focusing on a tech-enriched future; and in cleantech focusing on a sustainable future.

Financial capital

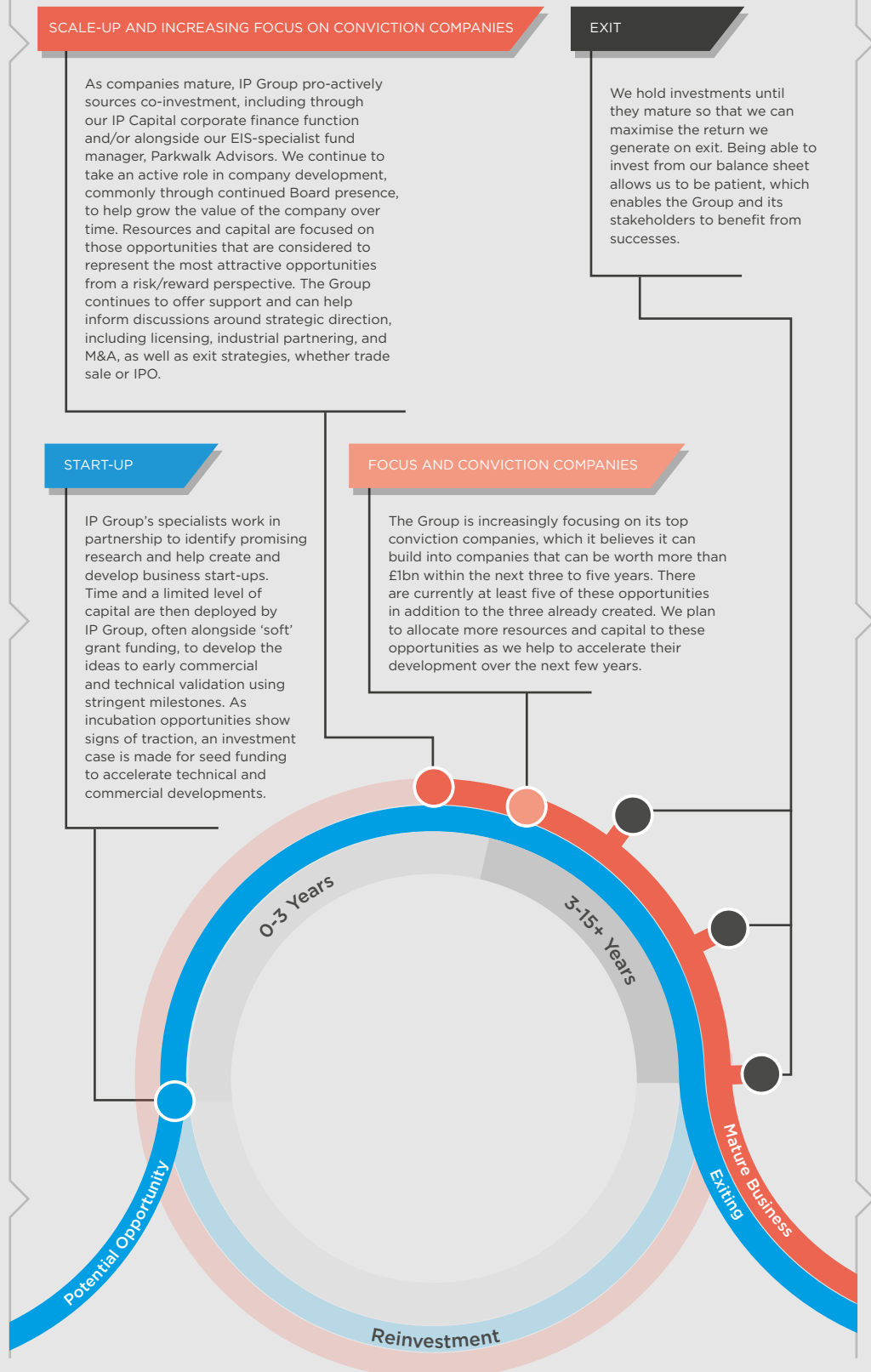
We combine our balance sheet capital with third-party capital to back, build and develop promising companies.

Human capital

We aim to attract and retain the best talent whether in IP Group or in our portfolio companies. We then support our teams by ensuring our people are focused on supporting the strategic direction and by helping teams to work better together. We are committed to building an employee value proposition that provides meaning as well as remuneration.

Investment Life Cycle

The Group applies its ESG policy and Ethical Investment Framework to its investment decisions and ongoing portfolio management to ensure a focus on companies that create a positive impact in the world.



Capital Allocation Policy

We have evolved our Capital Allocation Policy to ensure we allocate more resource to our most promising investments. These include our conviction companies, which we hope to accelerate in the next three to five years, as well as our most disruptive start-ups.

ORGANIC GROWTH



We aim to provide impact alongside attractive financial returns. While the Group has delivered gross returns over its 20-year life of over 14%, we believe we can achieve returns of more than 20% over the next five years as we accelerate our conviction companies.

RETURNS TO SHAREHOLDERS



We look to generate capital appreciation in a liquid, public markets vehicle with dividends as a small but growing component of total shareholder return. At the same time, the Group reserves a proportion of all cash realisations for returns to shareholders through the most appropriate mechanism, such as a share buyback.

MANAGING GEARING



The Group is primarily equity funded but does use appropriate debt and ensures that servicing requirements (currently <£20m per annum) and covenants are always met. It is unlikely that the Group would ever exceed more than 10% of gross assets in debt.

Impact: Value created for stakeholders

01

Financial/returns

<p>NAV OF £1,738.1M (2020: £1,331.9M)</p>	<p>DIVERSE PORTFOLIO OF 100+ COMPANIES BY SECTOR AND MATURITY WORTH £1.5BN (2020: 1.2BN)</p>
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02

New company and job creation

<p>NEARLY 400 COMPANIES FORMED AND SUPPORTED (2020: 300+)</p>	<p>MORE THAN 5,000+ JOBS CREATED (2020: 5000+)</p>
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03

Purposeful and impactful work

<p>ALIGNED WITH THE SDGS</p>	<p>WORKING TO ADDRESS SOME OF THE WORLD'S BIGGEST ISSUES</p>
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READ ABOUT [STAKEHOLDER ENGAGEMENT](#) ON [PAGES 64 TO 77](#)



READ ABOUT [ESG AND IMPACT](#) ON [PAGES 104 TO 106](#)

Business Model in Action

NEW INVESTMENTS



HYSATA

Background

Hysata is a company spun out of the University of Wollongong (“UOW”) in Australia. Its new hydrogen electrolyser has the potential to significantly shift the economics of green hydrogen production.

The leading Australian technology has been developed by a team from the UOW headquartered ‘ARC Centre of Excellence for Electromaterials Science (“ACES”)', led by chemical catalysis and characterisation expert Professor Gerry Swiegers.

The Hysata technology has been proven at lab-scale and the company, which has strong scientific, engineering and commercialisation experience, is now focused on developing and commercialising a full-scale system with A\$5m in funding led by IP Group with support from the Clean Energy Finance Corporation (“CEFC”). A second tranche of funding was worth A\$2.5m.

Link to Business Model

Electrolysers, which use electricity to split water into hydrogen and oxygen, are the key technology for producing green hydrogen. Green hydrogen is widely acknowledged to be a crucial part of reaching net zero emissions globally, with the potential to meet up to 20% of energy demand in a net zero global economy. Part of IP Group’s approach is to consider which technologies are best equipped to help us achieve net zero – for example, ammonia as critical to the marine and aviation sectors which are ‘hard to abate’ sectors – then provide long-term financial and practical support to help them succeed. If this technology can be successfully commercialised it will help us in one of our key aims by helping to build a sustainable future.

Link to SDGs:



Professor Swiegers, Chief Technology Officer

“Inexpensive green hydrogen is needed for decarbonisation of multiple industries to put us on a path to net zero by 2050. Years of work from a great team at the University of Wollongong, along with great facilities and government funding are coming to fruition in a company that has the potential to have global impact. It’s great to be working with IP Group – they have global reach and deep experience commercialising university research.”



GripAble

Background

GripAble is a company founded by Dr Paul Rinne, a PhD neuroscientist at Imperial University. Paul was working closely with therapy teams on stroke wards and recognised that traditional therapy equipment couldn’t provide real-time motivation, feedback or data for tracking progress. This is when the idea for the GripAble device was born. A smart mobile assessment and training device, to help people with upper limb movement impairment to improve movement and grip strength and with the aim of improving therapist management and ultimately patient outcomes. GripAble has since been tested and developed with thousands of occupational and physical therapists and patients across multiple clinical conditions and leading academic institutions including Imperial College London and within Imperial Healthcare NHS Trust.

Link to Business Model

In helping to build a healthier future and ensuring good health for all people is part of the company’s philosophy, providing patients better access to therapy in both clinical and home settings with the potential to significantly improve patient outcomes in large patient populations and helping to build a healthier future.

Link to SDGs:



Dr Paul Rinne, Chief Executive Officer

“GripAble is a digital, data-led solution which can help make rehab efficient, effective, scalable, and available to all.”



OxCCU

Background

OxCCU has a novel, robust, iron-based catalyst and process to convert CO₂ and green H₂ from renewable energy into fuels and chemicals in one step. These e-fuels and e-chemicals will be required to displace fossil oil and gas in use today, particularly in the long-distance transport sector such as air travel.

The process has a very low energy input and high selectivity and can be adapted to produce either jet fuel range hydrocarbons or valuable sustainable chemicals such as alpha olefins, to be used for surfactants, synthetic lubricants, plasticisers, amongst other chemicals.

OxCCU is currently scaling up catalyst production and developing its own modular, industrial reactor suitable for any emission sources.

The company was spun out from the University of Oxford's Chemistry Department in 2021 and is underpinned by several scientific breakthroughs published in top tier scientific journals by Professor Peter Edwards (founder and board director), Dr Tiancun Xiao (founder, Managing Director, and Chief Technology Officer) and Dr Benzhen Yao (founder and chief engineer).

Link to Business Model

To limit the impact of greenhouse gas emission from fossil fuels, primary energy must come from zero emissions sources in just 30 years.

While the shift in the power sector is already underway, with renewable electricity replacing fossil power plants, not all sectors can use electricity directly for example, long-distance transport fuels where energy density requirements are far beyond batteries. In addition, the chemicals industry urgently needs to decarbonise, and this means numerous petrochemical products will need to be produced from CO₂ rather than fossil fuels.

In helping to build a sustainable future, part of IP Group's mission is to identify the technologies which plug gaps in the transition to net zero and build them into scalable businesses. Delivering the circular economy for fuels and chemicals is a key gap and one for which there is a growing market need.

Link to SDGs:



Dr Tiancun Xiao, Founder, Managing Director & Chief Technology Officer

"Every year the demand for truly sustainable fuels and chemicals grows. At OxCCU we're attracting the world's leading chemists and chemical engineers to help bring our net zero products to the world."



OXONN

Background

OxONN (Oxford Optical Neural Networks) is a spin-out from the laboratory of Professor Lvovsky, a renowned and award-winning experimental physicist based at the University of Oxford. His research group has developed a means to optically train an artificial neural network ("ANN") and OxONN has been set-up to commercialise this work.

IP Group has committed £1.25m of capital as part of a £1.75m round.

ANNs, like biological brains, are decentralised and inherently parallel, offering immense computing power across a huge range of applications. They can be implemented in digital computers where they are simulated using software, but a smarter approach is to leverage the coherence and superposition properties of linear optics, which will allow ANNs to be implemented directly in hardware, with data encoded in pulses of light and neurons made from beam splitters, waveguides and other components. Optics is therefore a very attractive platform for realising the next generation of neural networks and is the focus for OxONN.

Link to Business Model

As part of our approach to supporting a tech-enabled future, we aim to support technologies like machine learning ("ML") implemented through artificial intelligence, which has made huge strides in recent years. Whether in recognising faces in photos, monitoring credit-card transactions for fraud, recommending music based on personal taste, powering a driverless car or identifying tumours in medical images. These advances and many others have come about largely thanks to progress in neural-network computing and "deep learning". In a similar way to how the human brain works, these networks tune the connections between large numbers of artificial neurons to spot patterns in data sets.

Link to SDGs:



Lee Thornton, Investment Director, DeepTech

"Oxford University has been an excellent source of deal flow for IP Group for a number of years and the addition of OxONN to our portfolio continues this trend. Machine learning and neural networks offer huge promise as the next generation of computing architecture and the technology being commercialised by OxONN is genuinely ground-breaking, promising an optical approach to training, which has the ability to deliver a thousand-fold benefit to performance and energy efficiency. We look forward to being part of the company's exciting journey."



READ ABOUT OUR
PORTFOLIO ON
PAGES 30 TO 45

Business Model in Action

continued

SOME OF OUR CONVICTION INVESTMENTS



ISTESSO



Background

Istesso is developing new treatments for autoimmune disease by reprogramming the metabolism of immune cells. This novel approach has the potential to benefit patients with diverse conditions such as rheumatoid arthritis, multiple sclerosis, and ulcerative colitis. As well as working in combination with other treatments, this approach has also shown to be safe, effective at reducing inflammation and uniquely shown evidence of bone repair in rheumatoid arthritis. The lead compound MBS 2320 will be shortly entering a phase 2(b) trial.

Link to Business Model

Istesso has been backed by IP Group since 2005 when it was formerly known as Modern Biosciences. Istesso and its pipeline supports IP Group's aim to build world changing companies with innovation that improves health on a large scale. It is the second largest asset in the portfolio and one of our most important assets in our fight against disease and to help make a healthier future.

Link to SDGs:



Lisa Patel, CEO and Founder, Istesso

"There remains high unmet need in the treatment of autoimmune diseases. Istesso's novel approach to treating these conditions has great potential to improve outcomes for patients."



FIRST LIGHT FUSION



Background

First Light Fusion's inertial confinement approach aims to create the extreme temperatures and pressures required for fusion by compressing a target using a hypervelocity projectile. First Light's approach to fusion, which is safe, clean, and virtually limitless, has the potential to transform the world's energy system. Unlike in existing nuclear fission powerplants, there is no long-lived waste, no meltdown risk, and raw materials can be found in abundance. In June 2021, the UK science Minister visited the company's HQ in Oxford to fire the first shot of First Light's maiden fusion campaign using the 'Big Gun'.

Link to Business Model

First Light Fusion was spun out from the University of Oxford in 2011 to address the urgent need to decarbonise the global energy system. A key focus area for IP Group is the energy transition and the technologies which will support the transformation of the energy system as it evolves. If First Light can be successfully brought to market over the next two decades, it will make a significant impact on creating a sustainable future.

Link to SDGs:

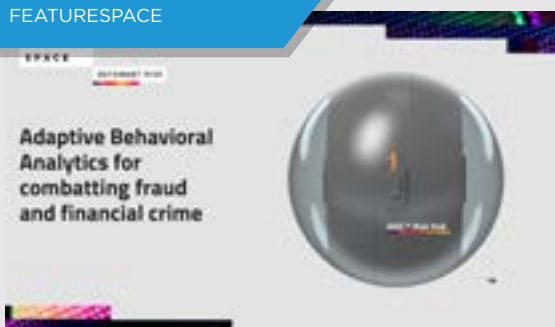


Dr Nick Hawker, CEO of First Light Fusion

"Our target design, which is the core element of our IP, has advanced significantly over the last 12 months. We are now able to amplify impact speeds by over 11 times in the space of just a few millimetres, breaking our previous records. This is key to creating the extraordinary pressure and temperature necessary for fusion."

FEATURE SPACE

FEATURESPACE



Background

Featurespace™ is the world leader in enterprise financial crime prevention for fraud and Anti-Money Laundering. Featurespace invented Adaptive Behavioural Analytics and created the ARIC™ platform, a real-time machine learning software that risk scores events in more than 180 countries to prevent fraud and financial crime.

Featurespace was created by a Cambridge University Professor, Bill Fitzgerald, and his PhD student, Dave Excell, at the forefront of two academic fields: Data Science and Computer Science.

Link to Business Model

IP Group’s approach to deep tech aims to shape the future by realising visionary new innovations in the fields of advanced materials, engineering and ICT. We have been highly successful in anticipating technology trends, which has led us to back some of the UK’s most exciting deeptech companies including in cybersecurity.

Link to SDGs:



Martina King, Chief Executive Officer, Featurespace

“Ultimately, we’re trying to make sure we’re stopping the bad actors out there, and being the best at that in the world.”



PULMOCIDE



Background

Pulmocide is a unique biopharmaceutical company with a mission to treat common acute and chronic respiratory tract infections associated with serious complications and devastating effects on patients’ quality of life.

Unlike currently available treatments for fungal infections in the lung, its innovative approach to drug development provides targeted delivery to the lung so that infections can be treated with minimal unwanted systemic effects.

The Pulmocide team has an extensive track record in the discovery and development of novel inhaled medicines for respiratory indications and infectious diseases. The team has expertise in the identification of compounds with optimal characteristics for lung delivery.

In 2021, Pulmocide raised \$92m in an oversubscribed Series C financing round with \$10m from IP Group.

Link to Business Model

IP Group is committed to investing in a healthier future, and our investment in Pulmocide is a major pillar of this approach with its development of novel drugs that have the potential to save lives in an area of great unmet medical need: invasive respiratory infection.

Link to SDGs:



Sam Williams, Managing Partner, Life Sciences

“The Life Sciences division of IP Group is committed to backing companies with the greatest potential to impact patients’ lives, and nowhere is that impact better served than in saving lives. This is exactly what Pulmocide’s novel drug, PC945, promises to do in an area of great unmet medical need, invasive respiratory infection, and we are proud to be supporting the company as it embarks on a Phase 3 clinical trial to prove PC945’s utility.”

Impact in Focus

In 2021, the Group's evolving purpose of contributing to a better future through the impact of science and technology-based businesses that we have identified, backed and grown together as long-term partners, continued to be at the forefront of the global fight against the pandemic and increasingly against climate change.

Over the last two years, scientific innovation has proven to be a vital weapon in the world's response to COVID-19 and many of the companies that IP Group has backed and supported over the last 21 years have played critical roles in this response. The response to COVID-19 has highlighted not only companies that can help to create a healthier future, but also those that looking to alleviate the climate crisis, helping to make a sustainable future as well as those increasing the efficiency of the digital economy, helping to make a tech-enriched future.

Impact has always been at the heart of IP Group and everything we do. Not only do we try to ensure that we and our portfolio companies observe the highest ESG standards where possible, perhaps more importantly our whole purpose is to build companies that can make a positive impact on the world helping to create a sustainable, healthier and tech-enriched future.

In 2021, the Group continued to both create impactful companies (see our business model in action) and also to accelerate its approach to ESG, responsible investing and impact across the Group. Building on the recommendations of the materiality assessment study carried out in 2020, we have focused further on integrating ESG to our evolving strategy, improved data collection processes and embedded responsible investment and ESG at the portfolio level.

It has been clear for a number of years that meeting the goals of the COP21 Paris Agreement, and more recently those updated at COP26, will require a transition of economies to net zero carbon emissions. At IP Group, we are committed to supporting the energy transition both through our operations but more importantly through our portfolio and the companies we are creating out of world leading research. Our cleantech portfolio in particular, contains many companies with technological solutions aimed at contributing to the transition.

MEMBERSHIPS, RATINGS AND INITIATIVES



Signatory of:



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£103.7M
INVESTED IN PORTFOLIO COMPANIES




6 SDGS
ALIGNED WITH

3 GOOD HEALTH AND WELL-BEING	7 AFFORDABLE AND CLEAN ENERGY	8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	11 SUSTAINABLE CITIES AND COMMUNITIES	13 CLIMATE ACTION

Highlights

- £103.7m invested in portfolio companies
- Alignment with 6 SDGS
- Thirteen portfolio companies represented at COP26

13
PORTFOLIO COMPANIES REPRESENTED AT COP26



FIRST
YEAR OF REPORTING TO TCFD




TCFD TAKE FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Environment:

- First year of reporting to TCFD
- Portfolio low risk with significant positive opportunities
- GHG 83tCO₂e (2020: 138.4tCO₂e) offset by sequestration
- Launch of 'Electric Dreams' subsidised EV scheme

GHG 83tCO₂e
(2020: 138.4tCO₂e) OFFSET BY SEQUESTRATION



TWO
EMPLOYEE EXECs ON EXCO



Social


- Twenty Charities supported by IP Group in 20in21 campaign
- New partnership with **Into**University
- 43% female representation on IP Group's Board
- 38% female representation in Senior Leadership
- Launch of the ID Project, IP Group's diversity and inclusion initiative
- Two employee execs on Exco
- Zero cases of whistle blowing
- eNPS improved +23 to +28

20
CHARITIES SUPPORTED BY IP GROUP IN 20in21 CAMPAIGN



43%
FEMALE REPRESENTATION IN IP GROUP'S BOARD

38%
FEMALE REPRESENTATION IN SENIOR LEADERSHIP



Governance



The Group has provided training to all staff in the following areas:

- Anti-money laundering
- Cyber security
- General Data Protection Regulations ("GDPR")
- Anti-bribery and corruption

Our Strategy

Systematically building businesses

We are evolving our strategy as outlined in the Chief Executive's operational review, to accelerate our conviction companies and to focus on three key themes, a sustainable future; a healthier future; and a tech-enriched future. However, our vision of evolving hard science into world-changing business remains a fundamental part of our business approach as we aim to contribute to a better future through the impact of science and technology-led businesses that we have identified, backed, and grown together.

Our strategic aims	Objectives for 2021
 <p>To create and maintain a pipeline of compelling intellectual property-based opportunities</p>	<ul style="list-style-type: none"> • Maintain a similar level of new opportunity formation in the UK and US • Create additional opportunities from Australasian partner universities • Maintain exposure to similar level of world-class commercialisable IP through collaborations with UK, US and Australasian academic institutions
 <p>To develop and support these opportunities into a diversified portfolio of robust businesses</p>	<ul style="list-style-type: none"> • Increase value of portfolio company holdings through hands-on support and development including our IP Exec and IP Capital offerings • Seek to maintain approach of direct IP Group representation on spin-out company boards • Increase the number of executive search mandates within IP Exec and assist portfolio companies to increase diversity of boards • Complete capital raising mandates for certain portfolio companies requiring finance from non-Group sources
 <p>To deliver attractive financial returns on our assets and third-party funds</p>	<ul style="list-style-type: none"> • Seek to continue net long-term increase in portfolio value and net assets • Assist, directly or indirectly, portfolio companies to access public and private markets to raise development capital • Where appropriate, generate cash realisations from portfolio • Generate attractive performance in Group's managed funds

¹ See page 28 for details of our KPIs.

What we did in 2021 to address our objectives	Objectives for 2022	Link to KPIs ¹
<p>Provided capital for the first time to eight companies or projects: four UK, two US, two Australia and New Zealand (2020: seven total: two UK, one US, four Australia and New Zealand)</p>	<ul style="list-style-type: none"> • Maintain a similar level of new opportunity formation in the UK and Australia • Develop leading insight in our thematic focus areas • Increase our networks in relevant ecosystems • Make insight a strength by sharing team knowledge across the Group • Make impact a core component of our processes 	<ul style="list-style-type: none"> • Number of new portfolio companies • Purchase of equity and debt investments
<ul style="list-style-type: none"> • Maintained board representation on almost 71% of our 44 'focus' and 'Top20' companies • IP Exec team placed four senior executives with portfolio companies, of which two were chair appointments and two were non-executive director appointments • Portfolio fair value increased to £1,414.6m after net portfolio gains of £497.4m • Total capital raised by portfolio companies of £2.4bn during 2021 	<ul style="list-style-type: none"> • Increase value of portfolio company holdings through hands-on support and development including our IP Exec and IP Capital offerings • Seek to maintain approach of direct IP Group representation on spin-out company boards • Focus more capital on our conviction holdings • Access more capital across the funding spectrum 	<ul style="list-style-type: none"> • Number of new portfolio companies • Purchase of equity and debt investments • NAV • Return on NAV • Purchase of equity and debt investments
<ul style="list-style-type: none"> • Generated cash proceeds of £213.4m • Net portfolio gains of £497.4m • Provided £103.7m of capital to 65 distinct portfolio investments • Portfolio of 100 companies with a combined total value of approximately £20bn • Over £79m of EIS funds raised by Parkwalk during 2021, with £52m invested into companies • Total funds managed or advised by Group subsidiaries now more than £480m 	<ul style="list-style-type: none"> • Seek to continue net long-term increase in portfolio value and net assets • Assist, directly or indirectly, portfolio companies to access public and private markets to raise development capital • Where appropriate, generate cash realisations from portfolio • Generate attractive performance in Group's managed funds 	<ul style="list-style-type: none"> • Return on NAV • Net portfolio gains/(losses) • Proceeds from sale of equity and debt investments

Our Strategy in Action

OXFORD NANOPORE TECHNOLOGIES

Oxford Nanopore's goal is to enable the genetic analysis of anything, by anyone, anywhere.

Oxford Nanopore's goal is to enable the genetic analysis of anything, by anyone, anywhere. The Company has developed the world's first and only nanopore DNA sequencing platform, which is uniquely scalable from pocket-sized formats through to ultra-high throughput devices. The technology offers real-time data analysis for rapid, dynamic insights and has played a key role in the pandemic, having 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 seed funding to IPO

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 the Company were admitted to trading on the London Stock Exchange in October, valuing it at approximately £3.4bn.

IP Group provided the original seed funding to Oxford Nanopore in 2005, has backed numerous follow-on funding rounds and introduced many new shareholders.

- Helping to deliver attractive returns for stakeholders:** Oxford Nanopore is the most valuable holding in IP Group's portfolio. The Group has cumulatively realised £106.1m of total proceeds through the partial sale of its holding and, consistent with the Group's Capital Allocation Policy, allocated £15m of the 2021 disposal amount towards buybacks of its own shares. Following the sale, IP Group continues to hold 10% of Oxford Nanopore, valued at £572m as at 31 December 2021, representing a money multiple of 9.2x on the value of our realised and unrealised

holding versus our cumulative cash invested in the company of £74.1m.

- Helping develop and support companies into robust businesses:** Oxford Nanopore continues to grow fast and, since it floated last Autumn, 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 2020, representing annual growth of more than 83%. Further, the Group announced it expected to report total revenue above £126m, compared to total revenue of £113.9m in 2020.

It has been an extremely successful investment and provides strong validation of IP Group's approach to creating and supporting world-changing businesses.

Example of UK innovation

Standout performers such as Oxford Nanopore have demonstrated the quality of UK technology and innovation. IP Group's role in funding and supporting this technology and innovation is fundamental to the growth of UK science-based companies as shown by the success of Oxford Nanopore Technologies.

Link to SDG



Oxford Nanopore: Scientist pipetting onto a GridION in a Nanopore lab



READ ABOUT OUR FINANCIALS ON PAGES 46 TO 51



Key Performance Indicators

MEASURING OUR PERFORMANCE: FOCUSING ON DELIVERY AGAINST OUR STRATEGY

Financial KPIs	Further description	2021 performance
NAV	The value of the Group's assets less the value of its liabilities, including minority interest	£1,738.1m (2020: £1,331.9m)
Return on NAV ¹	Total comprehensive income or loss for the year excluding amortisation of intangible assets, share-based payment charges and the charge in respect of deferred and contingent consideration deemed to represent post acquisition services under IFRS 3	£452.2m (2020: £189.5m)
Purchase of equity and debt investments	The total level of capital deployed from the Group's balance sheet into portfolio companies during the year	£103.7m (2020: £67.5m)
Net portfolio gains ¹	Movement in the fair value of holdings in portfolio companies due to share price movements, other increases/decreases in fair value	£497.4m (2020: £231.4m)
Net overheads ¹	The Group's core overheads less operating income	£19.5m (2020: £21.6m)
Proceeds from sale of equity investments	The total amount received from the disposal of interests in portfolio companies	£213.4m (2020: £191.0m)
Non-financial KPIs	Further description	2021 performance
Number of new portfolio investments	The number of portfolio investments that received initial capital from the Group during the year	8 (2020: 7)
Employee engagement and diversity	A hybrid metric measuring the rolling 12-month average eNPS, % of actions identified in the annual engagement survey completed, the Gender Pay Gap trend, diversity of decision-making forums and the level of regretted employee turnover. The total score represented as a percentage is a weighted average for each subjective and objective element. All elements were weighted equally in 2021	85% (2020: 70%)

¹ Alternative performance measure, see note 30 for definition and reconciliation to IFRS primary statements.

Key

- 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

Strategic element	Risks potentially impacting KPI	Link to performance-related director remuneration
To grow the value of our assets (and those we manage on behalf of third parties) and deliver attractive financial returns from these assets	① ② ④ ⑤ ⑥ ⑦ ⑧	LTIP 2019 - 2021
Portfolio fair value movement has the most material impact on this figure, which also reflects corporate expenses. Measures the development of portfolio companies and return on our assets	① ② ④ ⑤ ⑥ ⑦ ⑧	2021 annual incentive
Build and maintain a pipeline of IP-based opportunities and develop these into robust businesses	② ③ ⑤ ⑥	Indirectly impacts both Return on NAV and NAV
To develop IP-based businesses and grow their value	① ② ④ ⑥	Indirectly impacts both Return on NAV and NAV
To control the Group's operating cost base	① ⑤ ⑥	2021 annual incentive
Cash from proceeds can be used for redeployment into the portfolio or for new opportunities	① ② ④	2021 annual incentive
Strategic element	Risks potentially impacting KPI	Link to performance-related director remuneration
Build and maintain a pipeline of IP-based opportunities and develop these into robust businesses	③ ④ ⑤ ⑥	Indirectly impacts both NAV and Return on NAV
Attract, develop, and incentivise and retain the best people critical to development of portfolio companies and return on our assets	③ ④	Indirectly impacts both NAV and Return on NAV

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: £2.1m) 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 ¹	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

¹ 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 Review

continued

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:

Stage	As at 31 December 2021				As at 31 December 2020			
	Fair value		Number		Fair value		Number	
	£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 £nil 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 focused 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.

Sector	As at 31 December 2021				As at 31 December 2020			
	Fair value		Number		Fair value		Number	
	£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 £nil 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 opportunities



Greg Smith

Chief Executive Officer



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."

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

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

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.

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

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, IP Group'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 ¹ %	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

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



READ ABOUT [CASE STUDIES](#) ON [PAGES 20 TO 21](#)

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 \$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 \$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 \$92m of commitments and \$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 \$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.

Life Sciences Portfolio



Portfolio Review: Technology



We target differentiated, defensible innovations with a strong value proposition and the potential to disrupt a multibillion-dollar global market."

Mark Reilly

**Managing Partner,
Technology**

In our deep tech 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 ¹ %	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

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

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 \$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 fair value uplift to our holding. The fundraising 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.

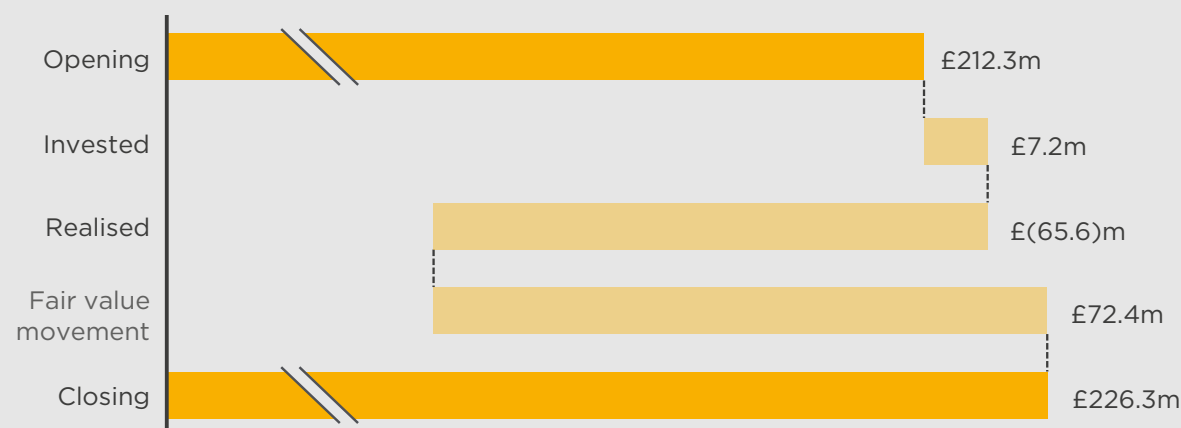
Elsewhere in the portfolio, the Group registered an uplift in the value of our holding in Artificial Intelligence fraud prevention company Featurespace reflecting the company's continued strong commercial growth. We were pleased to see our cybersecurity company Garrison announce sales growth of over 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 \$10m.

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 fundraising late in 2021. (See case study on page 67).

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.



Portfolio Review: Cleantech

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 ¹ %	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

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

The 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 \$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.

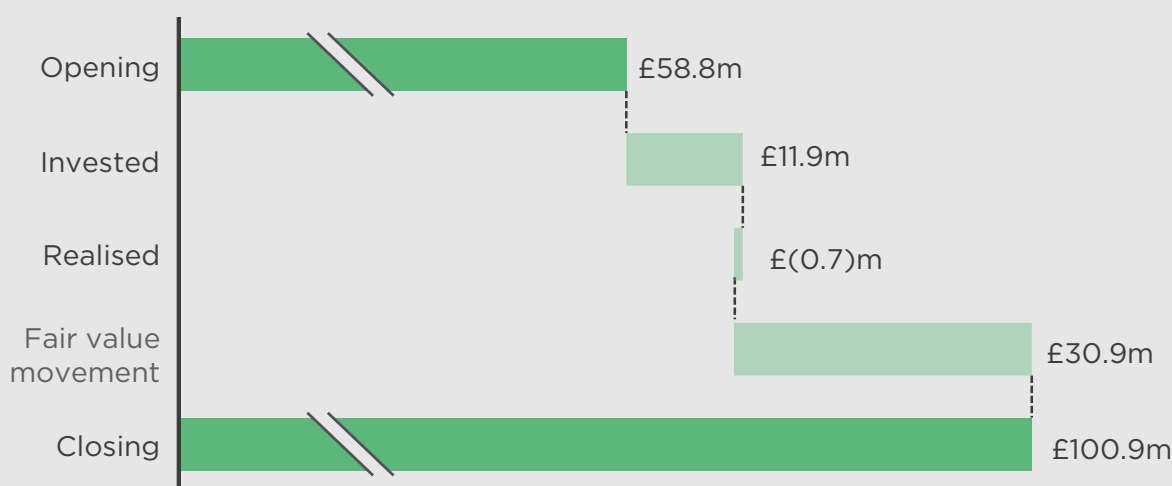
In November, the Cleantech team attended the first week of the COP26 Climate Summit in Glasgow, which was a busy and productive week involving meetings with climate investors, corporates, policy makers and the press. Our work as a member of the Energy Transitions Commission ("ETC") was influential in 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, focusing 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.

Cleantech Portfolio



Portfolio Review: North America

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
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 ²)			10.5	0.9	50.9
Total			8.0	7.8	85.3

¹ 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%.

² 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 characterisation 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.

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.

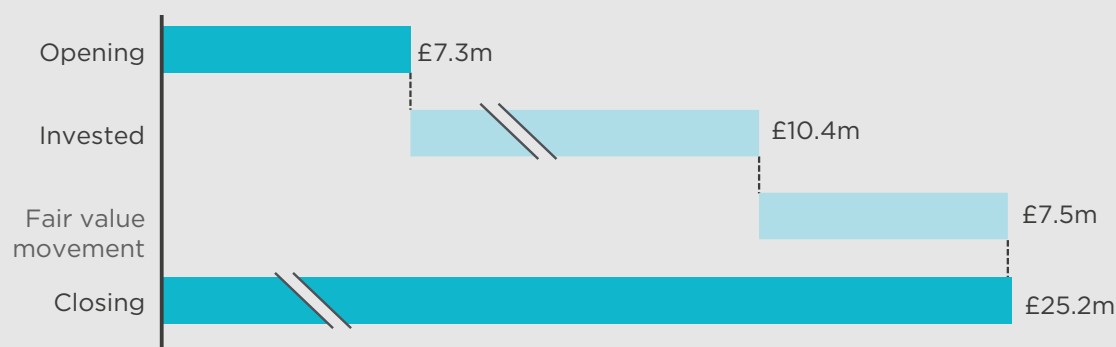
The portfolio now stands at 14 companies in total. Selected financings and operational milestones include:

- 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.

Australia and New Zealand Portfolio



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.

**LARGEST
EIS FUND**

FOR 3RD TAX YEAR
IN A ROW

£50m

RETURNED TO
INVESTORS
(NOW >£90m TOTAL)

PORTFOLIO
HAS RAISED
OVER £2bn
TO DATE

PORTFOLIO
HAS OVER
2k PATENTS

PORTFOLIO
HAS OVER
3,600
EMPLOYEES

FIRST
IMPERIAL FUND
CLOSED

19 AWARDS
TO DATE

£360m
AUM

ESG
PORTFOLIO
INITIATIVE

4
NEW HIRES

4,000
EIS3s SENT OUT

SECOND
KI FUND TO THE
MARKET, AND THE
LARGEST

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

¹ Excluding organic and de minimis (64 companies)

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

- 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 NAV¹	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 30 to 45.



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."

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)

	UK £m	Non-UK £m	Consolidated £m
Year ended 31 December 2021			
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)

	UK £m	Non-UK £m	Consolidated £m
Year ended 31 December 2020			
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 on page 125.

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).

Financial Review

continued

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 30 to 45.

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
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, Sofinova 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.

Financial Review

continued

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 ("APMs"), 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



READ ABOUT
OUR GOVERNANCE
FRAMEWORK ON
PAGE 94



READ ABOUT
THE AUDIT AND
RISK COMMITTEE
ON PAGE 140

Managing risk: our framework for balancing risk and reward

Governance

Overall responsibility for the risk framework and definition of risk appetite rests with the Board, who, through regular review of risks, ensure that risk exposure is 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, see page 140 for details.

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.

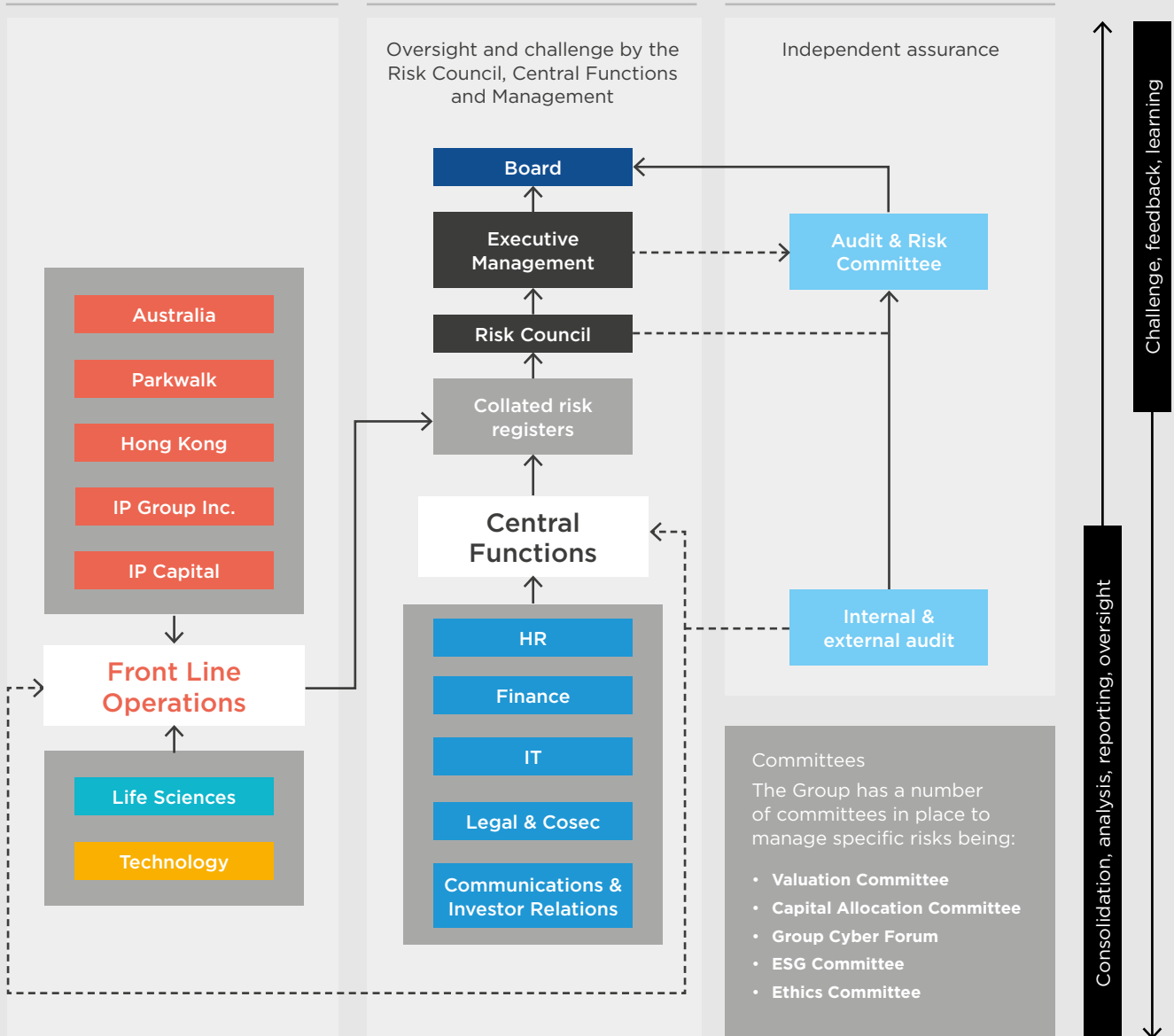
Priorities for 2022 include further business reviews by the internal audit function, preparation for anticipated UK governance reform changes, delivering training and scenario-based testing programmes for operational resilience workstreams and continued enhancement of Group risk reporting and communication 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.

IP GROUP RISK MANAGEMENT FRAMEWORK

01 First Line Of Defence

02 Second Line Of Defence

03 Third Line Of Defence



READ ABOUT OUR STRATEGY ON PAGES 24 TO 25

READ ABOUT OUR GOVERNANCE ON PAGES 92 TO 113

Key

- Direct Reporting →
- Review and Challenge - - - - ->

Risk Management

continued

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.

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 pages 72 to 77).

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 page 67 for 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. See page 74.



Summary of principal risks and mitigants

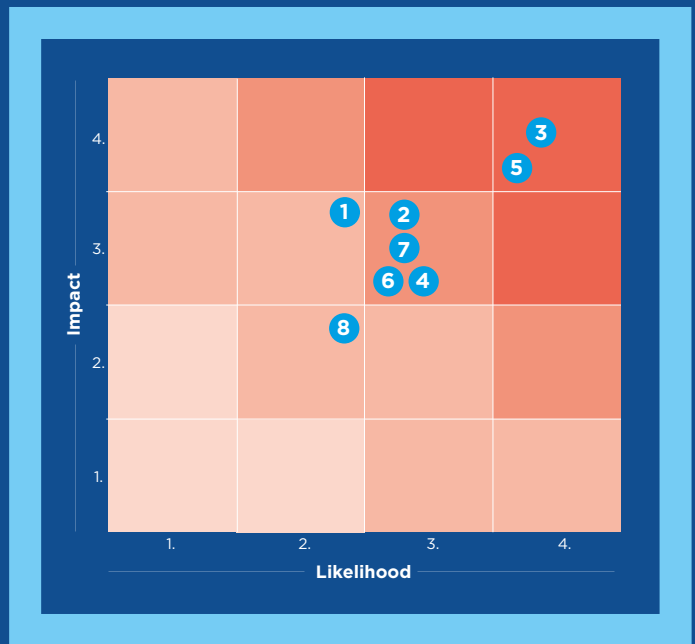
A summary of the principal risks affecting the Group and the steps taken to manage these is set out below. Further discussion of the Group’s approach to principal risks and uncertainties is given on page 103 of the Corporate Governance Statement and pages 140 to 143 of the Report of the Audit & Risk Committee, while further disclosure of

the Group’s financial risk management is set out in note 2 to the consolidated financial statements on pages 156 to 159. Following the 2021 annual review process, the heatmap below describes the relative potential risks posed by each of the Group’s identified principal risks.

Principal risks

- 1 Insufficient capital: Group
- 2 Insufficient capital: portfolio companies
- 3 Insufficient investment returns
- 4 Personnel risk
- 5 Macro-economic conditions
- 6 Legislation, governance and regulation
- 7 Cyber and IT Security
- 8 Group operations including international operations

● 2021 principal risk



Risk appetite ratings defined:

- Very low**
Following a marginal-risk, marginal-reward approach that represents the safest strategic route available
- Low**
Seeking to integrate sufficient control and mitigation methods in order to accommodate a low level of risk, though this will also limit reward potential
- Balanced**
An approach which brings a high chance of success, considering the risks, along with reasonable rewards, economic and otherwise

- High**
Willing to consider bolder opportunities with higher levels of risk in exchange for increased business payoffs
- Very high**
Pursuing high-risk, inherently uncertain options that carry with them the potential for high-level rewards

Risk Management


continued

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
<p>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.</p>  	<ul style="list-style-type: none"> 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. 	
<p>KPI</p> <ul style="list-style-type: none"> Change in fair value of equity and debt investments. Total equity ("Net Assets"). Profit/loss attributable to equity holders. 	<p>Development during the year</p> <ul style="list-style-type: none"> 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. 	
<p>Examples of risk</p> <ul style="list-style-type: none"> 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. 	<p>Change from 2020</p> 	

KEY



Create



Develop



Deliver



Increase



Decrease



No change



New



Very low



Low



Balanced







High



Very high

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.

<p>Link to strategy</p> <p>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.</p>  	<p>Actions taken by management</p> <ul style="list-style-type: none"> • The Group operates a corporate finance function which is experienced in carrying out fundraising mandates for Life Sciences and Tech portfolio companies. • The Group maintains close relationships with a wide variety of co-investors that focus on companies at differing stages of development. • The Group regularly forecasts cash requirements of the portfolio and monitors 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. 	<p>Risk appetite</p> 
<p>KPI</p> <ul style="list-style-type: none"> • Change in fair value of equity and debt investments. • Total equity ("Net Assets"). • Profit/loss attributable to equity holders. 	<p>Development during the year</p> <ul style="list-style-type: none"> • IP Group hosted seven virtual events in 2021 as part of the 20in21 programme. These included one focused 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. 	
<p>Examples of risk</p> <ul style="list-style-type: none"> • 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. 	<p>Change from 2020</p> 	

Risk Management

continued

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

Early-stage companies typically face a number of risks, including not being able to secure later rounds of funding at crucial development inflection points and not being able to source or retain appropriately skilled staff. Other risks arise where competing technologies enter the market, technology can be materially unproven and may ultimately fail, IP may be infringed, copied or stolen, may be more susceptible to cybercrime and other administrative taxation or compliance issues. These factors may lead to the Group not realising a sufficient return on its invested capital at an individual company or overall portfolio level.

Link to strategy

Uncertain or insufficient cash returns could impact the Group's ability to deliver attractive returns to shareholders when our ability to react to portfolio company funding requirements is negatively impacted or where budgeted cash proceeds are delayed.



Actions taken by management

- The Group's employees have significant experience in sourcing, developing, and growing early-stage technology companies to significant value, including use of the Group's systematic opportunity evaluation and business building methodologies within delegated board authorities.
- Members of the Group's investment partnership teams often serve as non-executive directors or advisers to portfolio companies to help identify and remedy critical issues promptly.
- Support on operational and legal matters is offered to minimise failures due to common administrative factors.
- The Group has portfolio company holdings across different sectors managed by experienced sector-specialist teams to reduce the impact of a single company failure or sector demise.
- The Group maintains significant cash balances and seeks to employ a capital efficient process deploying low levels of initial capital to enable identification and mitigation of potential failures at the earliest possible stage.

Risk appetite



KPI

- Change in fair value of equity and debt investments.
- Purchase of equity and debt investments.
- Proceeds from the sale of equity investments.

Development during the year

- 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

- Portfolio company failure directly impacts the Group's value and profitability.
- At any time, a large proportion of the Group's portfolio may be accounted for by very few companies which could exacerbate the impact of any impairment or failure of one or more of these companies.
- The value of the Group's drug discovery and development portfolio companies may be significantly impacted by a negative clinical trial result.
- Cash realisations from the Group's portfolio through trade sales and IPOs could vary significantly from year to year.

Change from 2020



KEY



Create



Develop



Deliver



Increase



Decrease



No change



New



Very low



Low



Balanced



High



Very high

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

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



Actions taken by management

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

Risk appetite



KPI

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

Development during the year

- 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 Group as front-office investment professionals were in particularly high demand given the recent record levels of fund raising.
- Continued local lockdowns 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

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

Change from 2020







Risk Management

continued

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, the COVID-19 pandemic or similar scenarios, could have a number of potential impacts, including changes to the labour market available to the Group for recruitment or regulatory environment in which the Group and its portfolio companies operate.

Link to strategy	Actions taken by management	Risk appetite
<p>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.</p>  	<ul style="list-style-type: none"> 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. 	
<p>KPI</p> <ul style="list-style-type: none"> Change in fair value of equity and debt investments. Total equity. "Net Assets". Profit or loss attributable to equity holders. 	<p>Development during the year</p> <ul style="list-style-type: none"> 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. 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. 	
<p>Examples of risk</p> <ul style="list-style-type: none"> 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. 	<p>Change from 2020</p> 	

KEY



Create



Develop



Deliver



Increase



Decrease



No change



New



Very low



Low



Balanced



High



Very high

6 There may be changes to, impacts from, or failure to comply with, legislation, government policy and regulation

There may be unforeseen changes in, or impacts from, government policy, regulation or legislation (including taxation legislation). This could include changes to funding levels or to the terms upon which public monies are made available to universities and research institutions and the ownership of any resulting intellectual property.

Link to strategy

The Group’s strategic objectives of creating and maintaining a portfolio of compelling opportunities to deliver attractive returns for shareholders could be materially impacted by failure to comply with or adequately plan for a change in legislation, government policy or regulation.



Actions taken by management

- University partners are incentivised to protect their IP for exploitation as the partnership agreements share returns between universities, academic founders and the Group.
- The Group utilises professional advisers as appropriate to support its monitoring of, and response to changes in, tax, insurance or other legislation.
- The Group has internal policies and procedures to ensure its compliance with applicable FCA regulations.
- The Group maintains D&O, professional indemnity and clinical trial insurance policies.

Risk appetite



KPI

- Total equity.
- “Net Assets”.

Development during the year

- 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

- 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-authorized subsidiaries, resulting in loss of fund management contracts, reputational damage or fines.

Change from 2020



Risk Management

continued

7 The Group may be subjected to phishing and ransomware attacks, data leakage and hacking.

This could include taking over email accounts to request or authorise payments, GDPR breaches and access to sensitive corporate and portfolio company data.

Link to strategy

The Group's strategic objectives of creating and maintaining a portfolio of compelling opportunities to deliver attractive returns for shareholders could be materially impacted by a serious cyber security breach at a corporate or portfolio company level.



Actions taken by management

- The Group reviews its data and cyber-security processes with its external outsourced IT providers and applies the UK Government's "ten steps" framework or other national equivalents where relevant.
- Regular IT management reporting framework in place.
- Internal and third-party reviews of policies and procedures in place to ensure appropriate framework in place to safeguard data.
- Assessment of third-party suppliers of cloud-based and on-premises systems in use.

Risk appetite



KPI

- Total equity.
- "Net Assets".

Development during the year

- 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

- The Group or one or a combination of its portfolio companies could face significant fines from a data security breach.
- The Group or one of its portfolio companies could be subjected to a phishing attack which could lead to invalid payments being authorised or a sensitive information leak.
- A malware or ransomware attack could lead to systems becoming non-functioning and impair the ability of the business to operate in the short term.

Change from 2020



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 to 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.

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.

<p>Link to strategy</p> <p>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.</p>  	<p>Actions taken by management</p> <ul style="list-style-type: none"> 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. 	<p>Risk appetite</p> 
<p>KPI</p> <ul style="list-style-type: none"> Total equity. "Net Assets". 	<p>Development during the year</p> <ul style="list-style-type: none"> 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. 	
<p>Examples of risk</p> <ul style="list-style-type: none"> A legal or regulatory breach could ultimately lead to the withdrawal of regulatory permissions overseas, resulting in loss of trust management contracts, reputational damage and fines. Divergent Group cultures may lead to difficulties in achieving the Group's strategic aims. A major control failure could lead to a successful fraudulent attack on the Group's IT infrastructure or access to bank accounts. Senior management may spend a significant amount of time in setting up and establishing new territories which could detract from central Group strategy and operations. 	<p>Change from 2020</p> 	

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.

Sustainability



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READ ABOUT [OUR GOVERNANCE](#) ON [PAGES 92 TO 113](#)

ESG and Responsible Investment

Building a sustainable and viable business

IP Group's approach to ESG in 2021

In 2021, IP Group continued to evolve its approach to ESG, responsible investing and impact across the Group. Building on the recommendations of the materiality study carried out in 2020, we have focused on further integrating ESG into the overall IP Group strategy, improved data collection processes and continued embedding responsible investment and ESG at a portfolio level.

Looking to 2022

- Continue to integrate ESG into all parts of the business bringing into focus IP Group's core purpose of backing impactful businesses;
- Continued focus on supporting employees at IP Group and, in particular, embedding our diversity and inclusion initiative - the ID Project;
- Build on our responsible investment process with defined stewardship aims for portfolio companies;
- Measure and communicate IP Group portfolio companies' environmental, social and economic impact;
- Training of Board and employees on ESG and impact matters; and
- Underpin all work with robust measurement processes and metrics.

Governance




The Board of Directors oversees the Group's approach to ESG and related policies and addresses specific issues if they arise. Day-to-day accountability for ESG rests with executive management and, in particular, the CEO. An ESG Committee meets quarterly to discuss strategy and its implementation. In addition, the Group's existing investment processes take into account ESG matters through the Ethical Investment Framework ("EIF"), which is overseen by the Ethics Committee. In order to ensure effective implementation of the ESG, Responsible Investment and Impact workstreams, two more working groups have been formed - the ESG PLC working group and the Responsible Investment working group. These report into the ESG Committee.

Measurement and Frameworks

IP Group is committed to measuring its ESG progress with the materiality assessment having helped identify both material issues and appropriate metrics. We have begun data collection around these metrics in line with the SASB framework and this year we have reported to align with the requirements of TCFD. Our voluntary response and analysis of climate risk positions us as an early mover in our sector. More details of our response to the TCFD can be found on page 74. We continue to align with the UN Global Compact and UN Principles for Responsible Investment ("UNPRI") as we have done for the last three years.

Responsible Investment

In 2021, IP Group focused on ensuring our approach to responsible investment runs through our investment processes, in particular how our EIF aligns with our investment approach and how this impacts our role as an investor. We are aware that implementing a new framework across an existing portfolio and multiple geographies can be challenging and, as such, our approach continues to evolve.

Pillars	Objectives 2021	Metrics	Progress to date	Framework
 ESG at PLC level	<ul style="list-style-type: none"> • Engaging internal stakeholders on ESG including relevant training • Launch of ID Project, IP Group's diversity and inclusion initiative (more details on page 81) • Engaging external stakeholders 	<ul style="list-style-type: none"> • Non-financial KPI • Diversity and Inclusion metrics • Participated in COP26 • Investor meetings 	<ul style="list-style-type: none"> • 85% (2020: 70%) (aligned to KPI) • Two Exco employee members • Senior leadership team 38% female • Board 43% female 	<ul style="list-style-type: none"> • UN Global Compact • SASB • TCFD
 Responsible Investment	<ul style="list-style-type: none"> • Integration of ESG into investment decisions • Engaging with portfolio companies on ESG issues such as environment and diversity 	<ul style="list-style-type: none"> • Inclusion of ESG overview in IC meeting minutes • Rider outlining Ethical Investment Framework criteria in investment agreements 	<ul style="list-style-type: none"> • 70% response rate from portfolio by value 	<ul style="list-style-type: none"> • UNPRI • TCFD • ESG_VC membership
 Impact	<ul style="list-style-type: none"> • Creation of companies that make a positive contribution • Robust measurement and data 	<ul style="list-style-type: none"> • Exploring ways in which the positive impact of our portfolio can be further tracked, measured, and disclosed • Measuring how cleantech investments align to the EU's Green taxonomy 	<ul style="list-style-type: none"> • Opportunities aligned with the energy transition • Impact questions included in portfolio survey 	<ul style="list-style-type: none"> • TCFD • SDGs • SFDR

To this end, the Ethics Committee advises on our approach, meeting twice a year under the Chair of Professor Gordon Clark. It is also available to meet on an ad hoc basis should a particular question arise. This may include a question around a company with a technology that pivots to serve a sector that does not conform to the Ethical Investment Framework, for example.

Embedding ESG into our investment processes:

- Inclusion of an ESG overview in our IC meeting minutes – documentation of ESG assessment in the investment decision-making process (i.e. in the investment committee meeting itself and then ensuring this is recorded in the minutes);
- We include a rider in our investment agreements with portfolio companies which contains a list of excluded sectors that companies should avoid doing business in, such as tobacco, gambling, production of weapons of mass destruction, etc.;
- Throughout 2021, there have been several instances where the Ethics Committee has advised on ethical issues raised and these have been successfully dealt with;
- A policy toolkit has been put together to provide template policies for portfolio companies such as data protection, anti-facilitation of tax evasion, equal opportunities and diversity, speaking up, health and safety. In particular our early stage spinout companies have found this very helpful;
- As part of IP Group's work around the 'Investing in Women Code' we have increased our focus on gender diversity in the investment process. We are a signatory in 'The Annual Investing in Women Code report' published by HM Treasury. This includes looking at how to improve female representation on investment committees, the Boards of our portfolio companies as well as in new investments;
- Completion of a portfolio survey, which was aimed at measuring and focusing on engagement with an industry standard survey in collaboration with ESG_VC, an organisation promoting ESG good practice in private equity and venture capital portfolios in collaboration with the British Venture Capital Association ("BVCA"). For more detail, see "Responsible stewardship in practice" below.

Responsible stewardship in practice

In 2021, our role as a steward focused on communicating with the whole portfolio to raise awareness of IP Group's growing emphasis on ESG. We distributed a letter to the extended portfolio outlining this and highlighting our ESG Policy and Ethical Investment Framework.

In addition, we worked with ESG_VC to roll out a BVCA industry approved ESG survey to our Top 20 and focus companies. Approximately 70% by value of our portfolio companies responded in full to this survey.

The BVCA aggregated data outlines companies' performance around key ESG areas, as outlined below.

The key take-aways from the survey we conducted are outlined in the below graph which demonstrates how IP Group portfolio companies are performing against a range of ESG factors. Portfolio companies performed particularly well on cyber security controls and board oversight as shown in Chart 1.

Our analysis of the results has enabled us to define the below portfolio engagement topics to focus on in the first instance, particularly as our direct involvement in many of these companies allows us greater scope to engage with their management teams on these issues:

- **Carbon reduction measurement and initiatives:** companies averaged a low score in this survey and it was identified in the TCFD reporting process (as seen on page 74) that engagement on emissions reductions strategies would reduce any risk associated with climate change;
- **Diversity and inclusion:** engaging and education portfolio companies on topics such as inclusive employment procedures and importance of diversity of thought; and
- **General approach to governance:** ensuring good governance practices are in place through provision of a policy toolkit.



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Sustainability

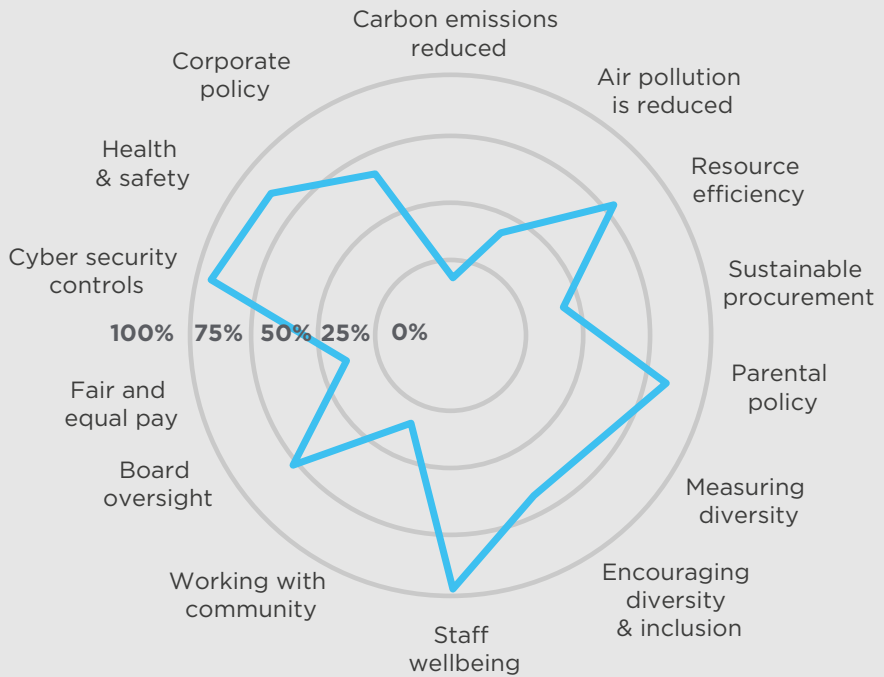
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BVCA Methodology

The %s used in this table represent the performance of the companies assessed against a theoretical total score, set by the BVCA.

Taking 'carbon emissions reduced' as an example, each company is given a score out of the maximum, i.e. best result. Scores are allocated based on the answers provided. For example, for the question 'do you measure your carbon footprint' an answer of 'yes' = 2 points, 'no, but plan to in the next 12 months' = 1 point and 'no' = 0 points. There are 4 questions on carbon emissions, and so the max score is 8. Each company is then given a % score, and the average score across all companies is given in this table.

Chart 1: ESG_VC Assessment Performance by ESG Outcome





CASE STUDY



Climate Tech Showcase at COP26

In November 2021, the IP Group Cleantech team hosted a 'Climate Tech Showcase' at COP26 in Glasgow exhibiting 10 science-based businesses with technologies fundamental to the net zero transition. Cleantech portfolio companies including Bramble Energy, First Light Fusion, C-Capture, RFC Power and Mixergy displayed their technologies in an event also attended by Lord Adair Turner, chair of the Energy Transitions Commission ("ETC").

Lord Turner (pictured) gave an overview of progress of the talks at COP26 and also highlighted IP Group's role in the ETC and in supporting and developing new technologies.

While in Glasgow, IP Group also announced a partnership with Reaction Engines Limited and the Science and Technology Facilities Council ("STFC"). The new joint venture will design and bring to market lightweight and compact ammonia reactors to enable the use of ammonia as a zero-carbon fuel for use in transport applications, such as aviation and marine shipping, in addition to other hard-to-decarbonise applications such as power generation, particularly 'stranded grids' or 'off grid' applications. The reactor will catalytically crack the ammonia into an easy to combust fuel for gas turbines and internal combustion engines.

Link to SDGs:



CASE STUDY



Navenio – the right care to the right people at the right time

Navenio's indoor location technology can be used as a powerful tool in any business that wants to utilise and benefit from indoor location data for different users and applications.

In healthcare settings, Navenio's core location technology works where GPS does not and has been described as the 'Uber for staff in healthcare'. That includes in a 5,000-room hospital across multiple floors, with hundreds of entrances, 24/7.

The technology allows hospital management to see the flow of people through its infrastructure, take measures to mitigate the spread of viruses like COVID-19, and make most effective use of its team to help get to the patients that need it most.

A smartphone is all that is needed for Navenio to work. It has pioneered frictionless, accurate and robust indoor location solutions, built on award-winning science from the University of Oxford and enabled by simply using sensors in existing smartphones.

Navenio has a dramatic effect on workflow and productivity. This includes:

- A huge step change in day-to-day tasks carried out: nearly double the amount of work is being completed by the same teams;
- Increased capacity and speed across multiple teams: e.g. patient transport capacity has increased over 30%;
- Significant improvement in service levels and quality: reducing wait times and increasing patient safety; and
- Better experience for staff, teams and patients overall; ultimately improving patient outcomes.

Link to SDGs:



Sustainability

continued



READ [PORTFOLIO CASE STUDIES](#) ON [PAGES 18 TO 21](#)

Impact

IP Group's approach to impact

IP Group's approach to impact continues to evolve. The Group aligns with the Impact Management Project, a forum for building global consensus on how to measure, assess and report impacts on people and the natural environment, by defining impact as 'investing in companies that benefit stakeholders by having a positive effect on society and sustaining long-term financial performance'.

IP Group portfolio companies continue to have huge scope for positive impact. As an early-stage investor in sectors with a sizeable funding gap, IP Group has played a key role in facilitating the development of potentially ground-breaking sustainable innovations.

Science, technology and innovation, combined with development financing, have been identified by the UN as one of the two main "means of implementation" for the achievement of its 2030 agenda.

How we measure impact

IP Group is in the process of developing a model for measuring our contribution to the environment or society around three key themes:

- Tech-enriched future
- Healthier Future
- Sustainable Future

Example of model

Theme	Additionality	Chosen metric related to theme	Related Framework	IP Group 'metric' (e.g.)
Sustainable Future	Do we enable a pathway to exist that otherwise wouldn't	Long-term carbon mitigation impact	SFDR/SDG/Emerging Climate Technology Initiative (CDP initiative)	Backing a new technology through supporting R&D, providing funding and business support to a technology to take it to market

Measuring progress in 2021

As part of the progress towards measuring the real impact of IP Group's portfolio in 2021, we have looked at the proportion of IP Group's net asset value ("NAV") as it aligns to the SDGs by determining whether the business activities of our portfolio companies meet the targets of any SDGs.

There continues to be a concentration on the six most relevant SDGs to the Group:

- 3 (Good Health and Well-being)
- 7 (Affordable and Clean Energy)
- 8 (Decent Work and Economic Growth)
- 9 (Industry, Innovation and Infrastructure)
- 11 (Sustainable Cities and Communities)
- 13 (Climate Action)

Methodology

We have taken the top 20 assets by value from IP Group's portfolio as at December 31 2021, which account for 80% of the portfolio's value. Out of the 20 companies, 19 are aligned to relevant SDGs.

Top 20 by SDG alignment

- 82% of top 20 by value are aligned to SDG 3
- 17% of top 20 by value are aligned to SDGs 7 and 9

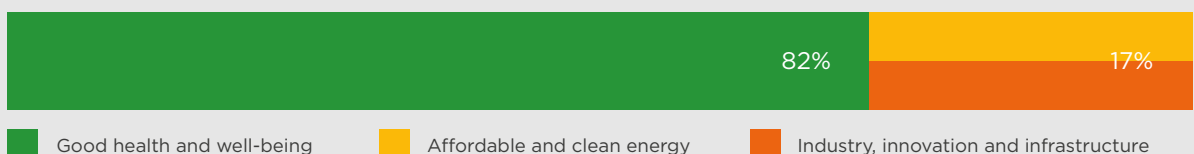
SDGS WE ALIGN TO







At Group level we:

- Support the health and wellbeing of our employees
- Provide training opportunities to continually develop our employees
- Have implemented a quarterly speaker series with 'high impact women' in our industry
- Support community projects that support talented young people from disadvantaged backgrounds
- Endeavour to conduct our business in accordance with best practice

Top 20 portfolio companies by SDG alignment.



PORTFOLIO COMPANY	SECTOR/ GEOGRAPHY	SUSTAINABLE DEVELOPMENT GOAL
AnkeRx Pty Ltd	Australasia	3 GOOD HEALTH AND WELL-BEING 
Artios Pharma Limited	Life Sciences	
Centessa Pharmaceuticals plc	Life Sciences	
Crescendo Biologics Limited	Life Sciences	
Diurnal Group plc	Life Sciences	
Enterprise Therapeutics Holdings Ltd	Life Sciences	
Genomics plc	Life Sciences	
Gripable Limited	Life Sciences	
Hinge Health, Inc.	Life Sciences	
Ieso Digital Health Limited	Life Sciences	
Istesso Limited	Life Sciences	
Microbiotica Limited	Life Sciences	
Mission Therapeutics Limited	Life Sciences	
Oxehealth Limited	Life Sciences	
Oxular Limited	Life Sciences	
PsiOxus Therapeutics Limited	Life Sciences	
Pulmocide Limited	Life Sciences	
Carisma Therapeutics, Inc. - UK	Strategic	
MOBILion Systems, Inc. - UK investment	Strategic	
Oxford Nanopore Technologies plc	Strategic	
Navenio Limited	Tech	
Azuri Technologies	Cleantech	7 AFFORDABLE AND CLEAN ENERGY 
Bramble Energy	Cleantech	
First Light Fusion Limited	Cleantech	
Mixergy Limited	Cleantech	
RFC Power Limited	Cleantech	
C-Capture Limited	Cleantech	
Helio Display Materials Limited	Cleantech	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 
Magnomatics Limited	Cleantech	
Oxbotica Limited	Cleantech	
Mixergy Limited	Cleantech	
C-Capture Limited	Cleantech	
Featurespace Limited	Tech	
Garrison Technology Limited	Tech	
Import.IO, Inc.	Tech	
Intrinsic Semiconductor Technologies Limited	Tech	
Quantum Motion Technologies	Tech	
Navenio Limited	Tech	
Audioscenic Limited	Tech	
AMSL Innovations Pty	Australasia	11 SUSTAINABLE CITIES AND COMMUNITIES 
Aqdot Limited	Tech	
Oxbotica Limited	Cleantech	



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READ ABOUT [OUR GOVERNANCE](#) ON [PAGES 92 TO 113](#)

Social

IP Group aims to conduct its business in a socially responsible manner, to contribute to the communities in which it operates and to respect the needs of its stakeholders.

The Group also seeks to ensure that there is diversity in the supply chain, working with SMEs as well as larger organisations. Where possible, we work with local suppliers, therefore impacting positively on the communities where we operate. The Group is also a signatory to the Prompt Payment Code. IP Group seeks to operate as a responsible employer and has adopted standards which promote corporate values designed to help and guide employees in their conduct and business relationships. The Group seeks to comply with all laws, regulations and rules applicable to its business and to conduct the business in line with applicable established best practice. We take a zero-tolerance approach to bribery and corruption and implement and enforce effective systems. The Group is bound by the laws of the UK, including the Bribery Act 2010, and has implemented policies and procedures based on such laws.

Governance

The Group seeks to conduct all of its operating and business activities in an honest, ethical and socially responsible manner and these values underpin our business model and strategy. We are committed to acting professionally, fairly and with integrity in all of our business dealings and relationships with consideration for the needs of all of our stakeholders, including university partners, investors, suppliers, employees and the businesses in which the Group has holdings. IP Group endeavours to conduct its business in accordance with established best practice, to be a responsible employer and to adopt values and standards designed to help guide staff in their conduct and business relationships. As a publicly traded entity, IP Group actively seeks to engage and maintain an open dialogue with both institutional and private shareholders through its investor relations programme.

Policies

Copies of the Group's policies in relation to anti-corruption and bribery, anti-slavery, environmental, equality, diversity and inclusion, prompt payments, speaking up, anti-facilitation of tax evasion, data protection policy, health and safety, sustainability and ESG, ethical investment, stakeholder engagement and 'treating customers fairly' can be found in the ESG section of the Group's website: www.ipgroupplc.com. The Modern Slavery Statement is found on the homepage footer.

Cyber Security

Cyber security has been highlighted as one of the principal risks that the Group faces. The Board and committees have taken great interest in the systems, processes and training in place to mitigate this risk. Cyber Security reports are provided to the Audit & Risk Committee and the Risk Council with oversight from the PwC Internal Audit team. A number of recommendations stemming from a PwC Cyber Maturity Assessment have been resolved and further improvements are ongoing to continue to mitigate the risk of the evolving threat landscape. This area will continue to be monitored and reported on.

IP Group established a Global Cyber Forum and focused working groups to share awareness and knowledge across the Group and to get feedback on issues that staff are facing. The Group has a mandatory programme of IT & Cyber Security training for staff along with quarterly phishing training and annual penetration testing. Additional training is provided to staff that fall short of expectations and to react to unfolding situations such as remote working. The outcomes of this programme are reported to the Risk Council. Promoting staff awareness of emerging cyber threats, such as spear phishing, is a regular topic at all-staff meetings.

IP Group has been awarded Cyber Essential certification. The Group has extensive technologies in place to minimise the risk of intrusion on endpoints and network traffic along with monitoring systems to ensure the security of third-party cloud-based applications. Diligence is carried out annually on third-party suppliers to ensure that acceptable security is present to protect the Group's data.

Over the course of 2021, the threat of ransomware attacks has greatly increased. The Group established a working group to improve the ability to respond and recover from such an attack that included participants from all support functions of the business. A detailed cyber incident response plan is in place. The Group maintains a business continuity plan and reviews this plan annually. This plan includes playbooks to react to incidents such as a data breach or other cyber incident.

The Group takes the threat of a cyber incident very seriously and endeavours to mitigate the risk wherever possible, although it is recognised by the Board and management that it will never be possible to fully mitigate cyber risk.



Community Engagement

Following the expiration of IP Group's strategic partnership with Generating Genius, the Group began selecting a new partner through a series of staff consultations. Staff were invited to suggest charities that aligned with the Group's mission of supporting world-changing innovation, namely organisations that support STEM education or help improve diversity in business and science. Of the 20 charities nominated, five were invited to submit partnership proposals and present in a Company all-staff meeting alongside Generating Genius.

The Group's new partner charity, **Into**University, was selected via a staff-wide final vote. **Into**University runs a network of learning centres across the UK, helping young people from disadvantaged backgrounds work towards their chosen ambitions. The Group has committed to a £30,000 annual donation that will directly support **Into**University's Brixton learning centre, which specialises in STEM subjects. IP Group will also participate and organise key events throughout the partnership. The first such event, an Insight Day, was held in June 2021 and saw 26 young people join an online session for a series of talks on careers, followed by a group challenge of developing a climate resilience plan for the UK using online tools.

Giving 20 at 20

As part of the commemorations for IP Group's 20th anniversary, the charity committee ran an internal giving scheme called "Giving 20 at 20". The scheme invited staff from across the Group to nominate 20 charities to receive a one-time £1,000 donation, for a combined total of £20,000. The chosen charities tackle a range of issues, from marine conservation to homelessness.

The following charities were supported via Giving 20 at 20:

- The Professor Malcolm Sargeant Charitable Trust
- Marine Conservation Society
- Family Services of Montgomery County Pennsylvania
- Simon Flynn Educational Foundation
- The Raystede Centre For Animal Welfare Limited
- CHAS (Children's Hospices Across Scotland)
- National Youth Science Forum
- The Royal Marsden Cancer Charity
- Deadly Science Ltd - nominated twice
- The Royal National Lifeboat Institution (RNLI)
- Saffron Walden Riding for the Disabled
- Whittington Babies
- Petals
- Crisis UK
- Myeloma UK
- Octavia Foundation
- Helen & Douglas House
- MND Association
- Eureka! the National Children's Museum



READ ABOUT [OUR STAKEHOLDERS](#) ON [PAGES 104 TO 106](#)

Sustainability

continued

Environment

COP26 in 2021 put the response to climate change, particularly from businesses, firmly in focus. Expectations from investors and consumers are rapidly increasing. Backing technologies that fight climate change is a significant opportunity for IP Group and our portfolio as outlined by our first full report against the TCFD recommendations. In order to align our operational approach with these opportunities, we have committed to working towards a net-zero reduction target by 2030 aligned with a science-based target of 1.5 degrees. We already offset all emissions as outlined below.

IP Group is required to report on its annual greenhouse gas ("GHG") emissions as part of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2018. IP Group is also required to report in line with Streamlined Energy and Carbon Reporting ("SECR") requirements for the first time for the period 1 January 2021 to 31 December 2021, in line with its financial reporting period. These requirements include an overview of GHG emissions, intensity ratios, energy consumption and energy efficiency actions taken by IP Group over the reporting period for operational office locations.

Introduction

The table on page 73 contains IP Group's annual energy consumption, associated relevant greenhouse gas emissions, and additional related information, as required under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

Methodology

The methodology applied to the calculation of Greenhouse Gas emissions is the 'GHG Protocol Corporate Accounting and Reporting Standard'. An 'operational control' boundary has been applied. Carbon conversion factors have been taken from 'UK Government GHG Conversion Factors for Company Reporting - 2021'. Emissions are reported as CO₂e. Scope 2 emissions have been reported as 'location based'.

Energy Use and Greenhouse Gas Emissions

The table on page 73 shows the total annual UK energy and associated GHG emissions for our Global Operations as required under the SECR regulations. This encompasses energy and emissions from office use and relevant business transport purposes. Reporting has also been expanded beyond the minimum requirements to include emissions associated with all business travel, waste generated in operations and staff commuting. The reporting period covered is 1st January - 31st December 2021. Of our total reported energy consumption 161,977kWh was directly related to our UK operations, producing GHG emissions of 53tCO₂e, 64% of our total.

Table – Energy Consumption and Emissions 2019 – 2021

	2019	2020	2021	% Difference vs 2020
On-site combustion (kWh)	42,592	n/a	n/a	–
Electricity (kWh)	385,759	67,165	169,604	–
Road Transport (kWh)	n/a	n/a	17,463	–
Total Energy (kWh)	428,351	67,165	187,067	179%
Scope 1 Emissions (tCO ₂ e)	8	0	0	–
Scope 2 Emissions (tCO ₂ e)	114	21	41	–
Scope 3 Emissions (tCO ₂ e)	852	118	42	–
Total Emissions (tCO ₂ e)	974	138	83	-40%
Emissions Intensity tCO₂e/FTE	8.7	1.4	0.9	-35%
Emissions Intensity tCO₂e/m²	0.4	0.07	0.05	-33%

Emissions Intensity

For purposes of baselining and ongoing comparison, the Company is required to express the emissions using a carbon intensity metric. IP Group reports two metrics; emissions/staff number in FTE and emissions per unit of office floor area in m². The resultant emission intensities for 2021 are 0.9tCO₂e/FTE and 0.05tCO₂e/m². These have reduced by 35% and 33% respectively in comparison to 2020.

Energy Efficiency Action

Energy consumption and emissions are still significantly lower than pre-COVID levels due to a reduction in staff office attendance and commuting and, primarily, through a significant reduction in business travel. These were again the main contributors to our low energy consumption during 2021, with the majority of meetings now being held virtually. Our offices incorporate a number of energy efficient technologies: the majority of light fittings are low energy LED and motion sensors are installed to maximise energy efficiency. Other appliances and large office equipment, such as printers and laptops are also of energy efficient design.

Offsets

Despite the relatively low direct negative environmental impact of the Group, we have, for the fourth year, offset 100% of the Group's direct 2021 CO₂ equivalent greenhouse gas emissions. Since 2018, we have done this through a programme of supporting UK woodland creation certified under the Government's Woodland Carbon Code through Forest Carbon.

The Woodland Carbon Code delivers independently certified woodland creation projects – audited by UKAS accredited bodies to ISO standards – that offer tangible social and environmental benefits; it is the only standard of its kind in the UK. Woodland Carbon Code credits are an accepted mitigation mechanism under government corporate environmental reporting guidelines.

All Woodland Carbon Code certified projects offer public access as a core requirement, and woodlands also have a significant role to play in mitigating flooding, reducing air pollution, cleaning watercourses and creating habitat for biodiversity. An investment in woodland creation contributes to the UK's rural economy by helping to create jobs in the forestry and nursery sector, and also makes a contribution to the UK's national carbon budget, enabling the country to meet its climate change obligations.

The 2021 credits will contribute to our project at Lowther, near Penrith UK. This is converted arable and grazing land to sustainable forestry. There are 3079 trees planted over 2.16 hectares accounting for 1042 tonnes CO₂. The project brings additional benefits by helping flood mitigation and improving water quality.

Sustainability: TCFD Progress Report

Climate Risk and Opportunity analysis of IP Group plc and selected portfolio

In 2021, IP Group commissioned SLR (a research provider) to perform a portfolio climate risk and opportunity and scenario analysis exercise. The main focus of the analysis was on an IP Group portfolio sample of 30 companies which includes the top 20 (as of 30 June 2021) by value, the cleantech portfolio companies and some relevant outliers.

The methodology aligns to the TCFD recommendations and reporting framework. In particular, risks and opportunities are as categorised in line with the TCFD categories for both physical (acute and chronic) and transition (policy and legal, technology, market, and reputation) risks. The risk determination methodology aligns to Intergovernmental Panel on Climate Change (“IPCC”) best practice and guidelines. Risks are scored for both near (<5 years) and long-term (>5 years) time horizons and are also scored in line with the three different climate scenarios as proposed by the Network for Greening the Financial System (“NGFS”).

Outcomes:

- The portfolio analysis exercise found no ‘red flags’ in the portfolio. Several long-term physical risks were identified relating to product deployment in the field, where portfolio companies may be exposed to the impacts of a changing climate, particularly in higher-emissions/higher-warming scenarios.
- The portfolio is well positioned to benefit from the transition to a lower carbon economy due to its low exposure to climate-related risks and because of the large number of companies whose core technology and/or product offering represents a significant opportunity as demand can be expected to grow as the world decarbonises. This is particularly true of the cleantech sector holdings.

Opportunity

Climate-related opportunities were identified for each company in the sample portfolio. Opportunity scores were based on two terms: the size of the opportunity and the ability of the company to execute the opportunity.

Maximum opportunity scores were given to multiple cleantech companies in the sample portfolio as the core technologies and products of the companies currently align with climate-related opportunities associated with the low carbon and energy transition.

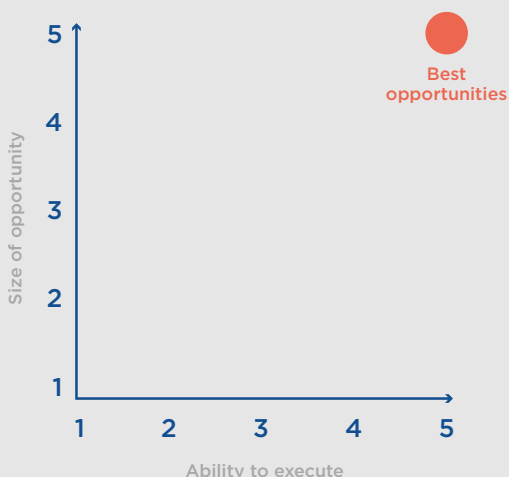
The total current value of these cleantech companies is over £100.9m and many of the highest opportunity scores in the assessment link to the ability of these companies to access large markets as demand for energy transformation, reduction, and storage grows.

Beyond the highest opportunity scores, many of the other companies in the sample are able to capitalise on mid-sized opportunities associated with, for example: increasing energy and resource efficiency and reducing waste; accessing renewable energy via a third-party supplier or developing their own on-site generation systems to reduce energy costs; increasing partnerships to help cross-selling of products and services and extending product ranges to access markets that largely align with existing business models.



The below tables show how opportunities have been scored as a function of size and ability to realise.

Prioritising opportunities



SIZE OF OPPORTUNITY - CHARACTERISTICS FOR SCORING	
1	<ul style="list-style-type: none"> • Very small market • Not very high margin/profitable product/service • Very strong competition/very small savings
3	<ul style="list-style-type: none"> • Neutral
5	<ul style="list-style-type: none"> • Very large market • Very high margin/profitable product/service • Not very much competition/very large savings
ABILITY TO EXECUTE - CHARACTERISTICS FOR SCORING	
1	<ul style="list-style-type: none"> • Completely different to existing business • Completely misaligned with existing brand • Completely misaligned with existing skillset of employees • Very high cost to execute
3	<ul style="list-style-type: none"> • Neutral
5	<ul style="list-style-type: none"> • Very similar to existing business • Very aligned with existing brand • Very aligned with existing skillset of employees • Very low cost to execute

Opportunity examples

	Opportunity Size	Ability to Execute
Bramble Energy Ltd Core technology and product offering aligns with expected demand growth associated with transitions to low carbon economies.	5	5
C-Capture Ltd Ability to accelerate growth by developing partners in a broader range of industries associated with CO ₂ emissions (e.g., fossil fuel industries, raw materials manufacturing industries, waste and transport industries).	5	4
All companies Engagement opportunities with portfolio companies to reduce energy costs (e.g., through switching to alternative energy providers) and engage with Paris Climate Agreement and UK Net Zero aligned strategies to promote brand reputations.	4	5

Climate-related opportunity:

C-Capture has patented a unique, solvent-based technology which offers a safe, low-cost way to remove carbon dioxide from emissions using a post-combustion capture approach.

High emissions (including Scope 1, 2 and 3) are increasingly associated with a negative brand image and emissions-intensive industries are under increasing pressure to reduce greenhouse gas emissions. The core technologies and products of C-Capture are already aligned to capitalise on the increasing demand for emissions reduction technologies. High-scoring market-related opportunities, as shown in the tables, for this company are associated with increasing partnerships with companies in industries which are typically associated with high carbon dioxide emissions. C-Capture technology can be deployed in most processes requiring CO₂ separation from other gases, including power stations, cement plants, hydrogen production facilities, steel or glass making factories, or natural gas upgrading plants. The company already works with Drax on a pilot project of the first bioenergy carbon capture storage project in Europe.

Sustainability: TCFD Progress Report

continued

TCFD overview: IP Group plc takes the TCFD reporting requirements seriously. This year we built on our progress from the previous year to perform an in-depth climate risk and opportunity analysis on a sample portfolio. We believe this to be the most material part of the business in relation to climate change. Some TCFD recommendations will take more time for IP Group to fully address and we are working towards these in the course of 2022 and 2023.

In line with the UK Listing Rules (Listing Rules) our TCFD-aligned disclosures as they stand are included in the annual financial report and are consistent with the TCFD Recommended Disclosures. In particular, the TCFD Final Report 2017 and the TCFD Annex 2017 (as well as 2021 updates to both), including supplementary guidance for all sectors.

The below summarises IP Group's response to the TCFD recommendations as a result of the climate risk and opportunity and scenario analysis exercise.

Area of focus	Progress this year	Future focus
<p>Governance</p> <p>The organisation's governance around climate-related risks and opportunities.</p> <ul style="list-style-type: none"> The Board as a whole reviews IP Group's approach to ESG, climate change and related policies and addresses specific issues if they arise; Day-to-day accountability for ESG, including climate change related issues, rests with the CEO; The CEO has established a number of committees and working groups to support him in overseeing and monitoring policies and procedures to address issues if they arise, including: Ethics Committee, ESG Committee, RI Working Group, ESG-plc Working Group and Audit and Risk Committee; The ESG Committee meets quarterly and reports into the Executive Committee highlighting any climate-related issues; The Ethics Committee oversees any issues relating to breaches of the Ethics Framework in relation to climate change and investment - this may include whether a technology is being used for a new non-aligned application or assessing an investment from a non-aligned investor; The ESG-plc and RI Working Groups meet once a month and implement workstreams; and The Audit and Risk Committee oversees climate change-related reporting requirements. 	<ul style="list-style-type: none"> Climate change and the energy transition is a key theme in IP Group's strategic approach. Presentation to ESG Committee and Chair of the Board on portfolio climate risk and opportunity research. IP Group is producing a Carbon Action Plan which will lay out targets for reducing emissions. CEO attended COP26 where he gained significant insight into the economics of climate change. 	<ul style="list-style-type: none"> Clear communication of climate-related issues in CEO report to Board. Training around significance of climate-related issues for Board. Board oversight of Carbon Action Plan as part of broader sustainability approach. Exco to consider how this insight can be integrated into strategic approach.
<p>Strategy</p> <p>Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.</p> <ul style="list-style-type: none"> In 2020, IP Group conducted an ESG materiality study with key stakeholders which highlighted the need for further assessment of risks and opportunities from climate change across the portfolio. The clear message related to environmental issues is the importance of the distinction between the direct impact of IP Group plc, which is minimal and being actively offset and the indirect impact of the portfolio companies. Almost all recipients noted the importance of looking in more detail at the portfolio companies and the need to report on their progress towards increased environmental disclosure. Focus in the 2021 TCFD work is on analysis of the portfolio and IP Group operations looking at risks and opportunities over the different time horizons and scenarios as laid out by the framework. 	<ul style="list-style-type: none"> Carried out climate risk analysis of portfolio and IP Group plc at operational level to identify risks and opportunities across different time spans (less than and more than five years) and across three scenarios. Identify risks as aligned with TCFD categories of transitional and physical. Assess the resilience of IP Group plc and its portfolio to climate risks - legal risk identified as most material to IP Group plc and tech risk to the portfolio. Assess the opportunities - cleantech portfolio companies dominate the highest opportunity scores. 	<p>Focus on quantifying opportunities</p> <ul style="list-style-type: none"> Highest opportunity scores (portfolio companies) are associated with products and technologies that currently align with low carbon and energy transitions and can be associated with large and growing markets. Measure and assess how to monitor the growth of opportunity. Where appropriate, partner with select portfolio companies on tailored climate change value-creation plans.
<p>Further information</p> <p>See pages 10 to 13 for information on strategy around energy transition</p> <p>Details of carbon reduction targets on page 72</p>		
<p>Further information</p> <p>See pages 74 to 75 for detailed analysis</p> <p>Engage portfolio on carbon emissions reductions - see also page 66 for ESG data</p>		

Area of focus

Risk Management

Disclose how the organisation identifies, assesses, and manages climate-related risks.

- IP Group identifies and assesses climate-related risks through its ESG Committee, Ethics Committee and related working groups. In addition, the Ethical Investment Framework ensures that environmental criteria are considered in the investment process and portfolio companies are asked to comply with the Ethical Investment Framework.
- A key output of the climate risk analysis, in line with TCFD recommendations, is to establish climate as 'strategic risk' for IP Group in line with transitional and physical risk over a time horizon of less than five years.

Progress this year

- The analysis provided and the shorter time horizon means that the Group now recognises these near-term risks as operational risks. We have therefore created a climate change operational risk register to capture the analysis and integrate it into our existing risk management framework. This process identified a new strategic-level risk associated with climate change.

Future focus

- As part of the strategic risk assessment, there will be a yearly review of climate risk.
- Management of reputational risk through position statements on climate-related issues, leveraging support of external stakeholders and NGOs. The energy transition is a core part of IP Group's strategy.
- Develop mitigation strategies to reduce risk at operational and portfolio level.

Further information

See risk management section on page 52

See membership of UN Global Compact/UNPRI - reporting to SDGs, endorsing membership of ESG_VC to encourage ESG data measurement in portfolio companies.

Carbon Action Plan and engagement with portfolio on carbon reduction.

Metrics and Targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

- Greenhouse Gas Reporting.
- SECR Report (Streamlined Energy and Carbon Reporting).

Set key risk indicators

- Fines from failure to comply with policy/legal obligations.
- Engage portfolio companies on carbon emission reduction and mitigation.
- Percentage of new cleantech investments.

Further information

See page 40 for details of cleantech portfolio

See details of work towards a net zero target in Environment report on page 72.



READ ABOUT
[OUR APPROACH
TO THE ENERGY
TRANSITION](#) ON
PAGES 10 TO 13

People and Culture






READ ABOUT
STAKEHOLDER
ENGAGEMENT ON
PAGES 85 TO 88

ALIGNING OUR PEOPLE WITH OUR PURPOSE

The success of IP Group depends on the quality of our talent across a broad range of disciplines.

Our purpose – addressing some of the fundamental challenges faced by our planet by evolving great ideas into world-changing businesses – drives a deep intrinsic level of commitment from our team. Our continued focus on our culture seeks to build on this, with the ultimate aim of creating an environment which allows us to attract, retain and engage exceptional people.

During 2021, we made appreciable progress against our main development areas, as follows:

Priority Area	Objective 2021	Progress 2021
 <p>Inclusion & Diversity</p>	<ul style="list-style-type: none"> • Increase the diversity of thought and experience within our teams and ensure everyone feels included within our business. • Make sure we take advantage of the broad experience within our current population to improve our decision making. • Redesign critical processes to improve inclusion and diversity. 	<ul style="list-style-type: none"> • Appointment of two Employee Executives to the Executive Committee. • Formation of our Inclusion & Diversity Project, the 'ID Project' team and sub-teams. • Improvements to recruitment policy/procedure, roll-out 'rules of engagement' to guide inclusive meetings. • Support of the first #100blackinterms programme.
 <p>Learning & Development</p>	<ul style="list-style-type: none"> • Invest in the development of our people. Embed a dual focus on both professional capability and broader skills. • Aim to ensure our people are fully equipped to perform in their role, and ready to progress within our business when the opportunity presents. 	<ul style="list-style-type: none"> • Launched a radical new approach to learning and development. • Commenced the roll-out of personalised learning plans to all employees. • Focus early interventions on the protection of employee wellbeing.
 <p>Organisational Development</p>	<ul style="list-style-type: none"> • Improve the operational effectiveness of the business. • Facilitate the organisational and structural changes needed to optimise both culture and commercial outcomes whilst ensuring we remain sensitive to the needs and requirements of our broader stakeholder group – especially our people. 	<ul style="list-style-type: none"> • Formation of the Executive Committee. • Continued improvement in eNPS scores. • Empower and support the team in embedding flexible working for the long term, and move office to facilitate this approach.

Inclusion & Diversity

Maintaining a diverse and inclusive working environment is central to our culture at IP Group and something we remain highly committed to achieving. Our success depends upon the quality of investment decisions we make and the advice we give, both of which can only be improved when influenced by a wide range of representative views.

Our commitment in this area was exemplified during 2021 by the recruitment and appointment of two Employee Executives to the newly constituted Executive Committee. Joyce Xie, Managing Director, Greater China, and Lisa Patel, Partner, Life Sciences were appointed to the positions and the Executive Committee in June 2021 for a minimum period of one year. The purpose of these appointments was to maximise the quality and diversity of thought applied to the decision-making process within the Group.

The appointees, who must be employees of the Group and must apply formally for the role, supplement the collective strengths of our permanent Executive Committee members with high potential, talented employees whose role doesn't automatically qualify them for a seat on such Committee.

It is important to note that these positions do not act as the representatives of employees at Executive Committee. As set out in more detail below, IP Connect performs this function, primarily via the sponsorship and attendance of Aedhmar Hynes as the Designated Non-executive Director (NED) for workforce engagement, who represents these views at the main Board. Rather, our Employee Executives sit as members of the Executive Committee in their own right, adding additional perspectives into discussions and decisions based on their own unique experience, skills and outlook.

The criteria for selection were determined by the Executive Committee based on an assessment of existing capabilities, and the additional perspectives that permanent members felt would make the committee more effective. These included

the ability to offer constructive and challenging input at a senior level, a keen interest in scientific innovation and a strong track record of performance, as well as being able to demonstrate one or more of an innovative mindset, team skills, a global outlook or a background as an active investor. Appointments were based on a rigorous process, with the final decision being made directly by the CEO.

Since appointment, Joyce and Lisa have made significant contributions to both debate and decision within the forum to the benefit

of the Group and our stakeholders. As a result of the success of these initial appointments, we are committed to retaining Employee Executive roles within our leadership structure through 2022 and beyond. We are also intending to explore whether there are other decision-making forums within the Group which would benefit from similar appointments.

Across our wider population we are, of course, committed to equal opportunities when it comes to recruitment, selection and development. But it's not only a focus because it's the right thing to do; we believe our people are likely to be happier and more productive if they can be themselves at work.

Our ultimate ambition is to be market-leading in this area. To help us to build towards this over the coming years, in 2021 we appointed an external adviser, Equality Group, to work alongside our People Team, Executive Committee, Designated NED and Board* to assist us in building a vision, strategy and delivery framework to guide our development.

Equality Group have assisted us in the evolution of our planned Diversity Oversight Committee into the 'Inclusion & Diversity Project' team. Drawn from our global employees, the IDP will be critical in the definition of a coherent, holistic, employee aligned strategy for 2022 and beyond, and therefore the set-up of this group (and embedding its effectiveness) has been the main priority of our work to date.

The ID Project has defined three areas of focus for improvement for the Group. Working groups have been formed to address each area and make recommendations to the Executive Committee and Board in the following areas:

- **"Everyday culture"**: Looking at the impact of how we work and interact together, covering the definition of behavioural norms, respect, psychological safety, constructive conversations and a feeling of comfort for all.
- **"People & Pipeline"**: Looking at our approach to recruitment, promotion and development, our external positioning and how we might support the development of emergent talent.
- **"Portfolio"**: Looking at how we provide guidance, support and a two-way learning pathway with our portfolio companies, the metrics we use to measure progress and impact within the portfolio and how we align to best practice in the "S" of ESG.

As set out above, once this work is complete, the IDP will make recommendations on long-term objectives, strategy and delivery framework to the Executive Committee, who remain responsible for our overall progress in this area. However, in recognition of the need to continuously improve where we can, during 2021 we have made a number of positive improvements, including:

- **Employee Executives**: As set out above, the appointment of our first Employee Executives have added significant diversity of thought and experience to our Executive Committee.
- **Recruitment**: Revision of our policy and approach to recruitment, to ensure diverse candidates are presented to the business and have an equal chance of success.
- **Rules of Engagement**: Definition of more inclusive 'rules of engagement', which guide our approach to internal meetings and other interactions, and assure we are inclusive in our approach.
- **#100 Black Interns**: Our first internship under this programme, Sol Hagan, worked alongside our cleantech team in summer 2021. Sol found the experience valuable and contributed to the success of the team during his time with us. We will be continuing to support this programme into 2022 and beyond.
- **Ted Talks & Tea**: A regular programme of challenging discussion events, run directly by members of the team and open to all employees. Subjects covered in 2021 include female representation in the media; LGBTQ+ rights; mental health and depression; being Muslim and British; facing disability; and the relative impact(s) of determination and IQ on success.



As Managing Director of IP Group Greater China, I am pleased to bring my international perspective and global capital market experiences to the Group's decision-making process. I feel the Executive Committee at IP Group values different challenges and is genuinely open to diversity of thought."

JOYCE XIE: MANAGING DIRECTOR
OF IP GROUP GREATER CHINA



READ ABOUT
[BOARD DIVERSITY](#)
ON [PAGE 110](#)

People and Culture

continued

- **IntoUniversity:** As our nominated charity partner, we provide both financial and practical support to IntoUniversity. During 2022, we plan to run a number of events in conjunction with them, including an intern programme and work experience events. More details can be found on page 72.
- **Diversity Data:** We recognise the need to measure our success in this area. To allow us to both set a baseline and measure our success over time, we worked with both legal advisers and employees to develop a voluntary diversity data collection approach, using the EHRC recommendations as a guide. This was rolled out in autumn 2021, and the initial data analysis and follow-on work (including the potential development of an IDP dashboard) will follow during 2022.

Our ambition is to be diverse and inclusive across all characteristics. We believe this approach is both responsible

and sustainable. By creating a diverse and inclusive employee group we also believe we will improve the quality of our management and investment decisions, to the ultimate benefit of all stakeholders.

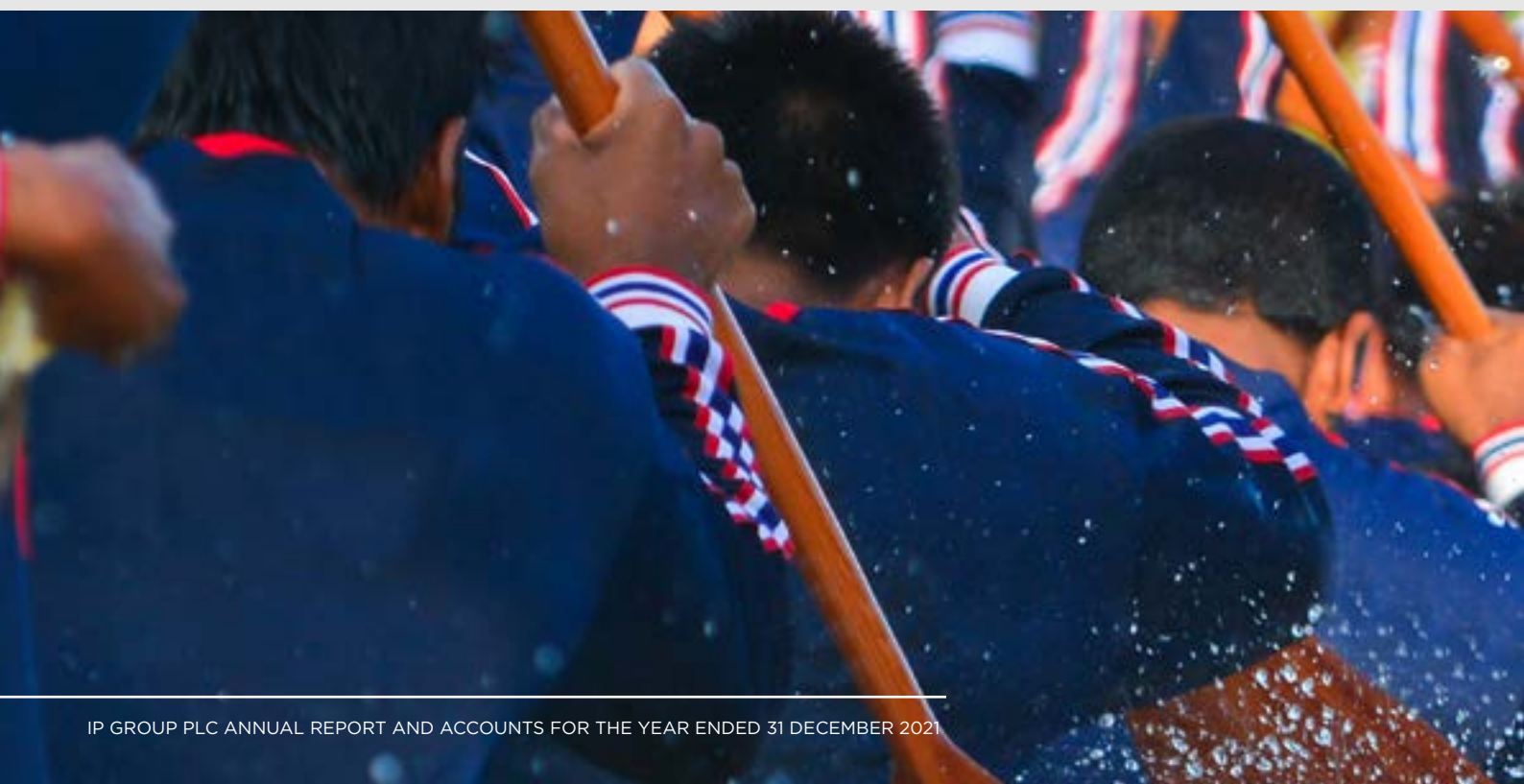
In the recent past we have focussed on gender representation as a proxy of our progress in this area, and (with appropriate data) will seek to move beyond this narrow definition of diversity. That said, it is encouraging to note that senior female representation within IP Group has also improved over the last year, as shown in the table below:

GENDER SPLIT AS AT 31 DECEMBER 2021¹

	Male		Female	
	#	%	#	%
Board	4	57%	3	43%
Executive Committee	7	63%	4	37%
Other Senior Management/Partners	16	62%	10	38%
Combined SLT	23	62%	14	38%
All employees	53	53%	47	47%

¹ During 2021, our management structure fundamentally changed with the formation of our Executive Committee. As a result, the categorisation of employees has also changed. This data is therefore in a different format to that presented in 2020. It is aligned with the data submitted for the 2021 FTSE Women Leaders Review, and as a result we expect this format to remain consistent for the next five years.

* Our designated NED, Aedmar Hynes remains directly involved, providing both advice and oversight to ensure maximum impact in this area.



Developing Talent

Our people gain significant experience from working with a number of start-up enterprises and seeing first-hand what works and what doesn't, sharing knowledge and discussing these experiences both within and across our teams.

We also believe that more formal development support is critical to the attraction, retention and motivation of our employees, and to maximise the positive impact of our people on all of our stakeholder groups. We have a small number of employees, with very different roles, experience and skills, and so to provide effective support in this area we have developed a highly individual approach.

During 2021, we launched a new personalised learning plan structure. Our approach is based around 'curating' an effective mix of learning interventions for each individual employee over the short, medium and longer term. The plan supports both current role and individual career aspirations and will be integrated with both performance management and succession planning during 2022.

Each individual plan is based upon an exploration of learning/development needs in three distinct areas, as set out below:

- **Build:** Underpin the establishment in role and (then) career progression of our people by supporting formal learning directly relevant to the role they undertake within the business.
- **Empower:** Train and embed the (more transferrable) skills, so that our people are able to maximise the impact and value of their professional capability.
- **Protect:** Integrate the skills, knowledge and interventions that our people require in order to stay physically and mentally healthy into management conversations and personal targets, ensuring our people remain willing and able to deploy the skills they have learned to the benefit of our business and wider stakeholders.

Individual learning plans are co-owned by employees and management, with our People team providing advice, curation and course management in the background.

Feedback from employees following the initial launch is very positive. As expected, there is a significant appetite for learning across all streams, which we will continue to support throughout 2022 and beyond. We expect this ongoing support to have a positive impact on engagement (both eNPS score and more widely), productivity and retention.

Listening to our people

Ensuring our people remain engaged, motivated and aligned with our ambition to make a positive impact upon the world is critical. We therefore place a high level of importance upon both hearing from and responding or reacting to our employees on a wide range of issues.

During 2021, we continued with our regular cycle of meetings with IP Connect, our employee forum. IP Connect, which is sponsored and attended by Aedhmar Hynes as the Designated Non-executive Director for workforce engagement ("Designated NED"), acts as a conduit between the Board and the wider team. During 2021, the members of the group and their constituents provided feedback on a broad range of topics (see further detail on page 84).

In addition to the qualitative feedback provided by IP Connect, we regularly engage with all employees to gather opinions on specific topics via our regular 'Voice of IP Group', or 'VIP' surveys. These surveys run every quarter, and measure employee Net Promoter Score across the business, as well as gathering qualitative feedback on development areas. During 2021, these topics included inclusion & diversity, future working arrangements and office moves, reward, career development and our strategy.

As we move into 2022, our commitment to seek out, engage with and act upon the feedback of our employees remains as strong as ever. IP Connect will continue to meet regularly, representing the views of our employees to the Executive Committee and the Board. Outside of this forum, our employees are able to easily access our executive team, wider leadership group or the HR lead, and are encouraged to do so.



READ ABOUT
[OUR EXECUTIVE
COMMITTEE ON
PAGE 111](#)

People and Culture

continued

Engaging our team

Making sure our team is engaged and aligned with our purpose has always been important to us. This remained challenging during 2021, with face-to-face interaction severely limited by the ongoing impact of the global pandemic.

Throughout 2021, we have maintained a programme of regular communication to ensure our global employees are able to remain in touch with the Company whilst continuing to work remotely. This programme has included a combination of regular updates from the CEO and other executives, bi-weekly online all-staff update meetings and a programme of themed events and meetings throughout the year. Our aim throughout has been to minimise the negative impact of remote working, including during periods of lockdown, on the engagement and experience of our employees. Our success in this area will underpin a more permanent move towards flexible working patterns to the benefit of our employees, which is covered in more detail below.

We understand that employee engagement is far more than just a number and aspire to build a team that is genuinely engaged with and motivated by our core purpose. That said, it is encouraging to note that during 2021 we achieved our objective of maintaining or slightly improving an already very high eNPS score (see graphic), with a further +5 point gain delivered against a backdrop of continued uncertainty and change, as well as significant changes in the leadership of the business.

eNPS

Improved from
+23 to +28 during 2021

- Measured using responses to 'I would recommend IP Group as a great place to work' in our regular survey
- Question answered on scale 1-5
- eNPS = % employees answering 5, less % answering 1, 2 or 3. Outcomes range from # -100 (low) to +100 (high)

We believe this increase in active employee engagement contributed to a further reduction in unplanned turnover from 2021 levels, achieved despite the challenges of remote working and increased market pressure in the latter part of the year. Whilst 26 colleagues left the business during 2021, only 3 leavers were unplanned. Encouragingly, each of these individuals left on good terms in order to pursue career opportunities not available within the Group or our portfolio. The remaining employees left as a result of either corporate transactions (the majority the result of the transfer of ownership of IP Group, Inc) or as a result of planned changes.

We continue to believe that a fair, equitable and engaging reward structure plays a central role in motivating our people to do exceptional things and also contributes significantly to overall employee satisfaction. During 2021, we implemented evolutionary improvements to our existing reward package in response to feedback from employees. These improvements included salary benchmarking for all roles and a clearer articulation of the link between individual performance and Annual Incentive Scheme (bonus) outcomes.

In 2022, our objective is to maintain current levels of employee engagement, as measured by eNPS. We will continue to collect regular qualitative and quantitative feedback from our employees and communicate regularly.

Flexible and open working

The pandemic has taught us that the nature of our work lends itself to working successfully from home for much of the time. Many of our people have no desire to return to a long commute on every weekday. The increased quality of video conferencing, document sharing, and cloud computing has supported effective remote working and has contributed to improved efficiency in certain areas.

We would like to support and embed this increased flexibility for our people over the longer term, further emphasising this already important feature of the IP Group culture. The significant reduction in commuting and business travel has allowed people to use their time more productively and has also resulted in a significant reduction in both financial and environmental costs.

At the same time, the feedback we have been gathering throughout the pandemic has consistently highlighted important interpersonal interactions that are either not as effective or cannot be done remotely. It is much harder to provide coaching, counselling, or advice and feedback and it is not possible to celebrate successes as a team. Off-the-cuff, value-add interactions with direct colleagues are more difficult, as are more formal cross-team collaborations.

More than this, our people miss the natural variation of people and space, learning opportunities, casual network and basic social interaction that sharing a physical space offers. We are also mindful of the increased risks of burnout when there is less physical separation between 'home' and 'work' and that not everyone's home makes for an ideal office space.

We are conscious not to make permanent long-term decisions based on the relatively short-term experiences of the past couple of years. However, we do consider that themes such as increased flexible/remote working and use of technology in the workplace are likely to continue post-pandemic and have begun to adapt our working environment to suit.

Flexibility is the key driver underpinning this change. We will empower our people to choose the environment most appropriate to achieving their targets and goals, and to best support their colleagues. This might be at home, in the office or elsewhere - we understand that this might change depending on their current projects and tasks, whether they need to work with others or alone, or whether they simply desire a change for their own wellbeing.

In the office, we believe that a desk should no longer be seen as a permanent home, but instead the wider office environment viewed holistically as a space for a variety of purposes, and to accommodate the whole Company when required. We have recently moved the location of our London head office to a location and space more suitable for supporting this vision.

We aim to provide office spaces that represent the heart of our business, embodying our mission, vision, and values. Places that function as a magnet rather than relying on mandated attendance, where people come because they want to and not because they are told to, and where the offering is conducive to their working needs. The new office is based in London's King's Cross, known as the 'Knowledge Quarter' - one of the highest densities of knowledge-based businesses and science organisations in the world.

Protecting our people

All our people are responsible for the promotion of, and adherence to, health and safety measures in the workplace. Our Chief Financial and Operating Officer has overall responsibility for the implementation of the Group's health and safety policies and procedures.

The primary purpose of the Group's health and safety policy is to enable all of the Group's people to go about their everyday business at work in the expectation that they can do so safely and without risk to their health. During the year ended 31 December 2021, no reportable accidents occurred under UK Health and Safety regulations.

Objectives for 2022

We expect the priority development areas in HR/Talent to remain broadly consistent with 2021 over the coming year.

In particular, our aspiration is to continue the development of a market-leading, well-rounded and coherent approach to inclusion and diversity. This aligns with our culture and purpose and is clearly increasingly important to a range of stakeholders. This includes employees, for whom progress will underpin employee engagement and maximise the quality and impact of our talent.

We will also work to further embed our learning offer, providing a compelling, flexible learning offer to all of our people to both support career development and further improve engagement, retention and quality, again to the benefit of all stakeholders.

Outside of these continuing priority areas, we are focused on incremental improvements in service levels for employees, particularly through ongoing improvements in the design and delivery of our reward schemes. As outlined on page 114, we have also recently completed our Triennial Remuneration Review, and will continue the work required to engage employees. Finally, and alongside other members of Executive Committee, work has begun on the 'Talent' implications of the emergent Group Strategy. Whilst, at the time of writing, this process is in the early phases, it seems likely that the outcome(s) will influence HR priorities throughout 2022 and beyond.



Working with the Group's stakeholders

Statement by the Directors in performance of their duties in accordance with s172(1) Companies Act 2006

The Directors of IP Group plc consider, both individually and together as a Board, that they have acted in the way that they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. This statement describes how the Board has had regard to the matters set out in s172(1) Companies Act 2006 when performing its duties under s172 Companies Act 2006 ("s172") for the year ended 31 December 2021.

Engaging with stakeholders

Engaging with stakeholders is an integral part of the Group's business and critical to ensuring the future success of the business. Please refer to pages 104 to 106 of the Corporate Governance Report for details of the key stakeholders identified by the Group's Board and Executive Committee, the Group's engagement with such stakeholders and the issues that matter to such stakeholders.

Consideration of long-term consequences in decision-making and strategy

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 has increasingly become that of contributing to a better future through the impact of science and technology-based businesses we have identified, backed, and grown together as long-term partners.

The Group's strategy to achieve its purpose is to identify, co-found or create companies based on fundamental innovation, typically based on 'hard' science, and then to support these outstanding businesses along the journey from "cradle to maturity", including providing capital in return for a holding in such companies. The Group is increasingly focusing capital, resources and expertise on clear thematic areas, focusing on companies whose products and services will meaningfully contribute to a sustainable, healthier and tech-enriched future. The Group's aim is to accelerate those businesses whose addressable market, differentiators, and progress we consider are most compelling. A detailed explanation of the strategy is set out on pages 24 to 25, and the Group's business model is set out on pages 16 to 17.

ESG

The Group actively takes into account environmental, social and governance ("ESG") factors in performing its role as a responsible investor and in relation to evaluating the impact of its portfolio companies against such factors. The ESG Committee, a sub-committee of the Executive Committee, oversees ESG work both at Group level, covering its approach to diversity, environmental impact and ethical business practices and how these are imbedded into strategy and risk management, and integrated into investment practices and also governing engagement with portfolio companies on ESG issues. Both Executive Directors are members of the ESG Committee to ensure that the Group's investment process is aligned with the Group's strategy. Details of the actions the ESG Committee completed during 2021 and its planned focus for 2022 are set out on pages 64 to 65. The Group's investment committee processes incorporate ESG considerations into each investment proposal evaluated in

relation to a portfolio company. Alongside his role on the ESG Committee, CEO Greg Smith is also a member of the Group's Ethics Committee which was established in 2020. Further details of the Group's Ethics Committee and the Ethical Investment Framework can be found on page 64.

In fulfilling its role as a responsible investor, the Group makes clear its expectation of high levels of corporate governance within its portfolio companies, taking up Board positions in the majority of the Group's focus companies. This helps to ensure robust governance processes are in place within such companies, which the Group also supports through facilitating introductions to external advisers, sharing best practice and offering helpful guidance on new legislation. The Group has also developed an ESG policy toolkit which is available to its portfolio companies. This provides template policies for key governance and compliance policies that the Group expects its portfolio companies to have in place, including anti-corruption and bribery, data protection and speaking up. Further information on the Group's stewardship activities is detailed on page 65.

Wider Community

The Group considers its key stakeholders to include the wider community, and one example of how the Group engages in this respect can be seen through the Group's charitable work. In 2021, the Group entered into a three-year partnership with **IntoUniversity**, its new charity partner. **IntoUniversity** aims to provide local learning centres where young people are inspired to achieve, and donations made by IP Group will support their facility in Brixton, London. As part of the program of events the Group runs with **IntoUniversity**, the first 'Insight Day' was held in June 2021. This enabled member of the investment team to join young people from the charity in an online session for a series of talks on STEM careers, followed by overseeing a group challenge of developing a climate resilience plan for the UK using online tools. Further details of the Group's charitable work, including the Group's additional charitable donations to mark its 20th anniversary, are set out on pages 72 to 73.

Culture

As described on pages 96 and 97, the Board considers that one of its key roles is to help to establish and embed the Group's purpose, values and culture and to make sure that these are taken into account in decision-making. The Group's strategy has an inbuilt focus on long-term investment and its core purpose, to evolve hard science and innovation into world-changing businesses, requires strong engagement with its portfolio companies. The Group prides itself on its high standards of business conduct and sets expectations that its portfolio companies, co-investors, employees and suppliers hold the same high standards when conducting their respective businesses. The Group is committed to preventing modern slavery in its business and supply chains and has adopted principals and policies which are relevant to the prevention of modern slavery across its organisation. The ESG and Ethics Committees monitor observance of such conduct.

Employee engagement via IP Connect

IP Connect, the Group's employee forum, continued to thrive in 2021, notwithstanding the restrictions imposed by the COVID-19 pandemic. A thorough review of the forum's composition and working practices was completed in early 2021. The review confirmed that the combination of a Designated NED and an employee forum continues to be a sensible and appropriate approach to employee engagement within the Group. Feedback from staff, members of the Executive Committee and the Board led to improvements in a number of areas, which led to IP Connect operating with

greater clarity around its agenda and the timing of engagement on material issues, ahead of Executive Committee and Board discussions. These changes have contributed to greater transparency and improved dialogue between the Board and employees, facilitated by Aedhmar Hynes, the Group's Designated NED responsible for engaging with the Group's workforce. Membership of the forum was also refreshed at the end of 2021, with two members rotating off and two new members welcomed.

IP Connect met seven times in 2021 and was consulted on various matters including: the Group's strategy; its inclusion and diversity policies; its culture and values and its ongoing response to the COVID-19 pandemic. In particular, IP Connect was consulted on the relocation of the Group's Head Office in London to its new location in King's Cross and the potential long-term change in working patterns resulting from the pandemic, resulting in a more flexible way of working having been adopted by the Group. IP Connect was also consulted on the Group's practices around executive remuneration, as further detailed on page 98. Aedhmar acts as the liaison between IP Connect and the Board, bringing relevant Board matters to the forum for input and, in turn, reporting back to IP Connect on how the Board has taken into account the views of IP Connect, and by extension the wider employee base, in any relevant decisions it has made.

How stakeholders' views are reported to the Board and influence the Board agenda

Through understanding the views of its stakeholders, the Board can take into account their opinions, preferences and concerns when debating and making decisions. Regular contact is maintained with the Group's key shareholders and, where considered appropriate, major institutional shareholders have been consulted on significant decisions and transactions. Key specific areas of discussion over the last year have been around the Group's strategy and approach to capital allocation (including shareholder returns) and the structure of the Executive Directors' remuneration and the Directors' Remuneration Policy, as part of its triennial review. The various shareholder events held throughout the year, including investor roadshow meetings and the shareholder webinar held on the same day as the Group's AGM, enabled the Directors to provide feedback to shareholders on how their views have been taken into account with respect to the various matters on which they have been consulted, as well as to respond to any specific questions which they may have. The following table details some examples of interaction between the Board and key stakeholders on certain matters during 2021 and early 2022, which enabled the Board to take the relevant stakeholders' views into account when making related decisions.

Theme	Discussion topics with and feedback from stakeholders	Action taken by the Board as a result of stakeholder engagement
CAPITAL ALLOCATION/ SHAREHOLDER RETURNS	<p>Several shareholders had requested a greater understanding of the Board's approach to capital allocation. Specific queries from shareholders (both during routine and roadshow meetings and via the AGM Q&A process) related to disposition of the Group's improved cash resources as a result of recent realisations. Queries raised included if, when, and to what extent such resources would be used to return value to shareholders, for example through a buyback of the Group's shares, particularly when shares are trading at a discount to NAV per share.</p>	<p>The Board has discussed the Group's approach to capital allocation at length in recent years and with greater emphasis as a result of the significant cash realisations generated, which led to increased cash resources within the Group and which also precipitated further engagement with a number of key shareholders.</p> <p>In 2021, the Board formally adopted the Executive's proposals for the Group's Capital Allocation Policy for 2021 – 2024. This is a dynamic framework which will be reviewed quarterly or more regularly as may be appropriate, to ensure its continued alignment with the Group's overall strategy and to factor in changes in budgeted investments and realisation.</p> <p>The Board took into account interactions with many shareholders around its cash resources and the discount of its share price to NAV per share and approved a capital allocation for the buyback of up to £20m of the Company's shares; this was announced in the 2021 Half-Yearly Results. This approval provided the Executive Directors with authority to pursue a buyback within defined parameters, including consideration of the difference between the Group's share price and its NAV per share at the relevant time. Following on from this initial allocation, and consistent with the Capital Allocation Policy and commitment to shareholder returns, an increased allocation for a share buyback of up to an aggregate consideration of £35m was announced in September 2021, following the Group's realisation of part of its stake in Oxford Nanopore Technologies plc (see more below). The formal launch of a share buyback programme of up to an aggregate consideration of £35m was then announced by the Company on 8th October 2021. As at 9 March 2022, the total number of shares which have been bought back into treasury is 29,708,621. Further details of the buyback programme can be found on page 51.</p> <p>The Capital Allocation Policy also takes into account the Board's approach to dividends, which was updated during early 2021 with the Group's maiden dividend and subsequent interim dividend being announced, as part of the wider allocation to shareholder returns. The Group intends to continue with its dividend programme and scrip dividend alternative in 2022.</p> <p>Finally, in applying its Capital Allocation Policy, the Board noted that the Group would also need to be mindful of the investment pipeline opportunities within differing business units within the Group, including its international business units, as well as the differing stages of maturity of investee companies within the aggregate portfolio. Business heads and employee feedback was sought in finalising the Capital Allocation Policy.</p> <p>Further detail on stakeholder engagement relating to the Capital Allocation Policy and its application in defining the approach for 2021, and the longer term, is illustrated on page 87.</p>

Working with the Group's stakeholders

continued

Theme	Discussion topics with and feedback from stakeholders	Action taken by the Board as a result of stakeholder engagement
OXFORD NANOPORE TECHNOLOGIES PLC ("OXFORD NANOPORE")	As Oxford Nanopore continued to develop and increase in value as it headed towards its planned IPO, given the size and significance of Oxford Nanopore to the Group, shareholders frequently sought to better understand the Board's strategy regarding the Group's shareholding in this company and particularly, how the Board was considering the actions it may take in the event of the exit opportunity/liquidity event presented by an IPO.	<p>The Directors discussed (to the limited extent they were able, given regulatory restrictions in the lead up to the IPO) potential approaches to long-term value maximisation of the Group's stake in Oxford Nanopore with major shareholders as part of their ongoing dialogue with this significant stakeholder group. The Board were always mindful of their obligation to act in the best interests of the Group's members as a whole in making their decision on how to participate in the IPO.</p> <p>The subsequent net realisation proceeds, of approximately £84m, enabled the Group to firm up capital allocations within its Capital Allocation Policy, and to make additional allocations; as well as to allocate further proceeds towards shareholder returns, including its share buyback programme.</p>
TRIENNIAL REVIEW OF DIRECTORS' REMUNERATION POLICY	As part of the requisite triennial review of the same, the Group engaged and consulted with its major shareholders and various proxy advisory groups in advance of submitting the 2022 Directors' Remuneration Policy to its Annual General Meeting ("AGM") for approval by shareholders.	The remuneration policy proposals for the forthcoming three-year cycle are presented by the Directors for the approval of the Group's shareholders in this report. As part of the review of the remuneration policy, the Group has undertaken comprehensive engagement with proxy advisory groups, its employees and its shareholders, engaging directly with shareholders holding nearly 50% of the Group's issued shares. Feedback from such engagement was used to shape the proposed Remuneration Policy. For further information, please see page 114.
IP Group Inc. Divestment	<p>During 2021, the Group's Executive Directors held discussions with the CEO and other senior management team members of IP Group Inc ("IPG Inc"), as well as other Non-executives on the Board, relating to the transfer of the Group's holding in IPG Inc to the IPG Inc management team.</p> <p>IPG Inc was originally established as a wholly owned subsidiary of the Group to be the holding company and sole funder of the Group's US operations. The restructuring of, and demonstrated success of, the US platform over the last couple of years has led to third-party co-investment in the US platform. To further simplify the structure in order to facilitate further co-investment, the Group was asked to transfer the ownership of IP Group Inc to the management team. Such transfer would have no impact on IP Group's economic interest in the underlying portfolio.</p>	<p>Following extensive discussions throughout 2021, and in line with the position supported by the key stakeholders (being the Group's co-investors in the US platform and the IPG Inc management team) and bearing in mind that there was no economic value or control benefit to the Group in holding the IPG Inc shares, the Board approved the transfer of the Group's holding in IPG Inc to the IPG Inc management team.</p> <p>The Directors, in making such decision, also noted that if the transfer would make the US platform more accessible and attractive to other third-party investors, by taking away the unnecessary complexity to the structure, it should enhance the long-term value of the Group's US operations. Accordingly, it should therefore lead to greater shareholder returns generated by the US platform, without having any negative impact on the Group's shareholders or wider employee base.</p>

Training and Board processes

The Board identifies principal decisions by reference to the Matters Reserved for the Board and the Group's Delegated Investment and Realisations Authorities policy, which governs the approval process for significant investments and realisations which are over a certain threshold. The Board has received training on its s172 obligations, and information relating to stakeholder issues is included in relevant Board papers to enable the Board to be able to sufficiently understand and consider any relevant stakeholder interests when making any decisions (including principal decisions), including any feedback sought from relevant stakeholders prior to the decision being made and the impact of such decisions on the relevant stakeholder groups.

Following any principal Board decision, the Board will endeavour to provide feedback to the relevant stakeholders, where appropriate, as part of its continued meaningful stakeholder engagement process. Where appropriate, being mindful of its obligations as a listed company and confidentiality requirements, the Board will seek input from key stakeholders prior to a decision being implemented. In each case, the Directors consider how a short-term decision (for example, to sell an asset and achieve an immediate financial return) links into the Group's strategy to create long-term value for its shareholders. The same considerations are taken into account by the Executive Committee in relation to decisions made or proposals recommended to the Board.

Principal decision: Oxford Nanopore realisation and Capital Allocation Policy

The Board seeks to ensure that the Group has sufficient capital to pursue its long-term strategic aims. A key example of a principal decision relating to the Group's strategy taken by the Board in 2021, following stakeholder engagement, was the approval of the Group's revised three-year Capital Allocation Policy following the realisation of 20% of the Group's holding in Oxford Nanopore after the successful IPO in October 2021 (as further detailed on page 8). This realisation, together with a maturing portfolio and a number of other high-profile realisations throughout the year, enabled the Board to finalise and formally approve its Capital Allocation policy for 2021-2024. The Capital Allocation Policy is principles-based, includes detail on processes and governance and aims to balance the shorter and longer-term capital needs of the Group's various business units, whilst bearing in mind the Group's risk appetite statement, its updated delegated investment and realisation authorities and its ESG policy and Ethical Investment Framework.

When discussing and subsequently adopting the Capital Allocation policy, the Board had regard to the following considerations:

- **Shareholders and consideration of long-term effects of the decision and link with Group's strategy:** The Board considered its priorities for capital allocation. These included investing to pursue the Group's core purpose, primarily through investment into portfolio companies to generate attractive financial returns and, where appropriate, to enable the Group to return capital to shareholders. In doing so, the Board was mindful that some shareholders had asked specific questions around the level of cash resources from realisations made in 2021 and the appropriateness of a possible buyback of the Company's shares. The Board considered these shareholder queries and, as a result, approved and implemented a buyback programme for the Company's shares within defined parameters should the appropriate opportunity arise. The Board considered a buyback to be in the best interests of the Company's members as a whole and also acknowledged that, in making any decision which applied the Group's Capital Allocation Policy in this way, it would need to consider any gap between the Group's share price and its net asset value per share at the relevant time. Further information relating to the buyback programme is set out on page 51.

The Board determined that it was necessary to set an appropriate maximum level commitment for each business unit, taking into account the Group's overall strategy and its current resources, forecast realisations and additional funding options. These included both the UK-based investment partnerships and international business units, as well as some provisional allocation towards some of the fund opportunities and the other strategies to leverage external co-investment, in furtherance of the Group's hybrid approach to future access to capital.

The Board agreed that the management team would, on at least an annual basis, assess the level of capital required to fulfil the Group's purpose over a longer period, noting that portfolio companies often take at least five years to mature and consequently that any capital allocation considerations needed to be viewed on a three-to-five-year basis. Following such assessment, the Board agreed that the management team should then determine if there is, or is expected to be, excess capital over this period and the allocation of any such potential excess capital would be recommended to the Board by the Executive Directors at the relevant time.

The Group finished 2021 with cash resources well in excess of expectations at the start of the year and, mindful of the maturation of a number of focus assets in our portfolio and the resultant opportunities for cash realisations, determined it was appropriate to continue with its policy related to dividends. In doing so, the Board took into account various factors including the capital available and anticipated to be available for organic growth, the capital made available for potential returns to shareholders during its most recent planning cycle, as well as the volatility of the Group's share price and its relationship to NAV per share. The Board also took into account the fact that success in realisations in 2021 had led to further payments, totalling approximately £3.5m, being made to employees under the Group's long-term incentive carry schemes. The Group's directors are not eligible for, and do not receive, payments under the long-term incentive carry scheme. Overall, the Board concluded that the business model had reached a sufficient stage of maturity that it would continue to recommend to shareholders that a modest but growing dividend should form part of the overall shareholder value proposition. Given the primarily long-term capital returns nature of the Group's approach to total shareholder returns, the Board also decided that it would be appropriate to continue the optional scrip dividend programme, allowing shareholders to choose to receive dividends in the form of newly issued, fully paid shares in IP Group plc in lieu of cash.

- **Debt providers:** The Board considered that another key priority when developing its Capital Allocation Policy was the servicing of the Group's debt facilities in place with the European Investment Bank. The Board discussed that, in the event it considers any return of capital to shareholders including a share buyback, such decisions would factor in an appropriate level of headroom above current debt and borrowing covenants. Furthermore, following engagement with the EIB, the relevant permissions under the contractual arrangements were sought and approved ahead of paying the 2021 dividend and interim dividend and implementing the buyback programme.
- **Portfolio companies:** The Group's business model, as further described on page 16 to 17, is to generate attractive returns by investing in world-changing businesses whilst applying an active approach to growing the value of such portfolio companies. Where appropriate, the aim is to 'back what we create' and continue to make investments into portfolio companies, helping to develop a healthy pipeline of investments into, and realisations from, portfolio companies. The interests of portfolio companies are, therefore, central to the Group's Capital Allocation Policy. The Board agreed that the Group needs to maintain sufficient capital to meet ongoing portfolio investment requirements and balance potential timing issues between realisations and new investment requirements across its different jurisdictions.
- **Employees:** The Directors considered the impact of the Capital Allocation Policy on its employees and, in particular, noted that employees worked across different business units which are each at different stages of maturity with differing capital allocation requirements. The Directors consulted and engaged with employees from all business

Working with the Group's stakeholders

continued

units and, following consultation with and feedback from the Board, each business unit then developed a plan which detailed the level of investment it required for the relevant period and the returns it believed could be achieved over the appropriate time period, which were, in turn, presented to the Board. Given the importance of the Group's Capital Allocation Policy to the overall strategy of the Group, the Executive Directors communicated and explained the allocations to all employees at various all-staff presentations, and employees were given the opportunity to ask questions relating to the allocations. The plan was also discussed at an IP Connect meeting, and the outcome of such discussions fed back to the Board by the Designated NED.

- Co-investors: The Directors considered the Group's relationship with co-investors in its portfolio companies, noting that the relationship which the Group has with its co-investors may be negatively impacted if the Group did not allocate sufficient capital to meet the needs of its portfolio companies or that co-investors may dilute the Group's interests disadvantageously should the Group be unable to continue supporting its portfolio companies in subsequent funding rounds.

The Capital Allocation Policy remains subject to quarterly review by the Board, or more regularly as may be appropriate or circumstances require, to ensure it continues to align with the Group's overall strategy. When deciding on any changes to the policy and/or future allocations, the Board will also consider the following criteria in line with the Group's purpose and strategy to:

- create companies based on leading science and grow them into world-changing businesses;
- fund businesses which create a meaningful impact on society and the environment;
- generate strong financial returns for stakeholders, both capital and income; and
- leverage and utilise third-party funds.

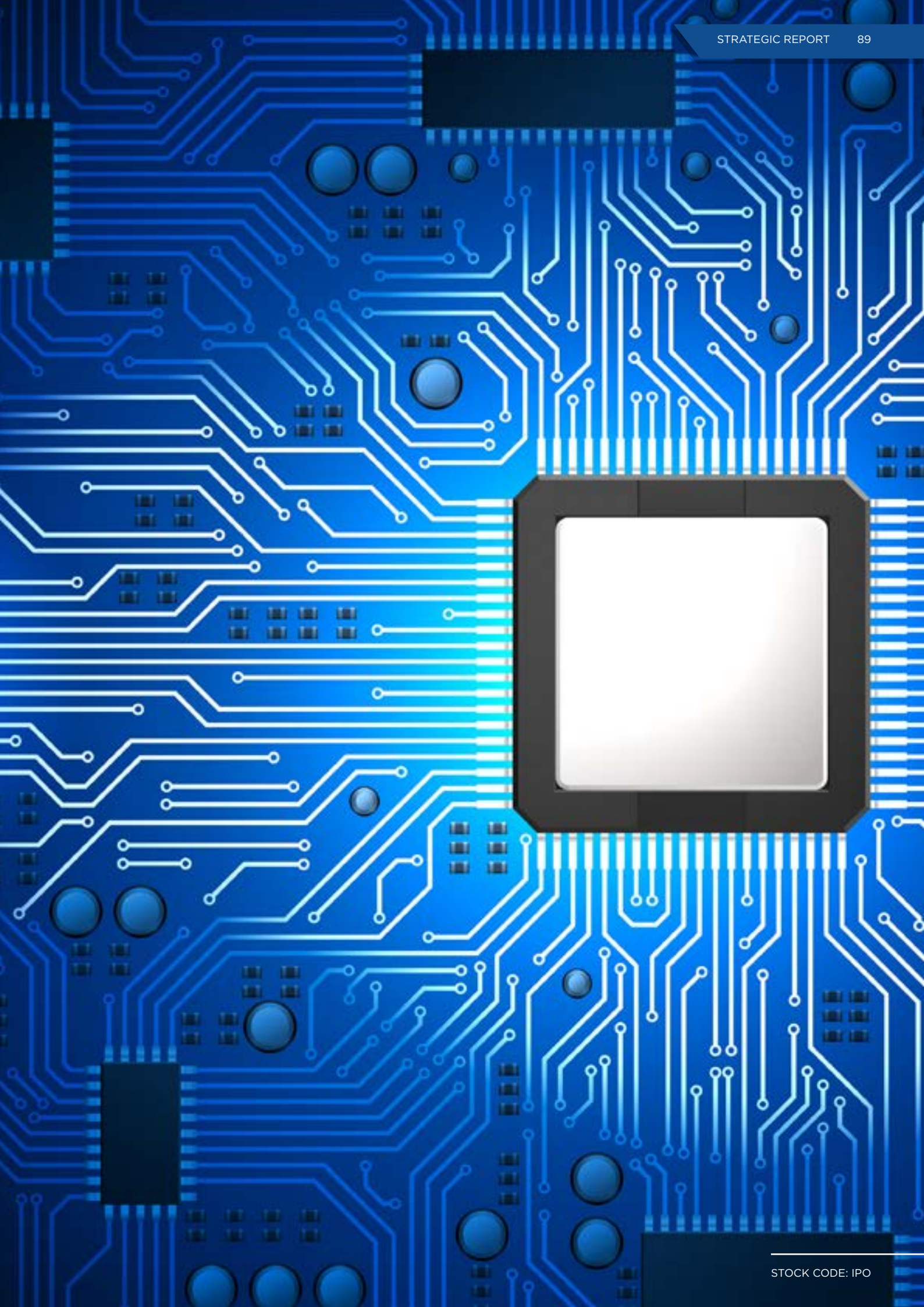
Board approval

The Strategic Report as set out on pages 06 to 08 has been approved by the Board.

On behalf of the board

Sir Douglas Flint

15 March 2022



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GOVERNANCE



Board of Directors



Sir Douglas Flint CBE Non-executive Chairman

Effective date of current letter of appointment: Appointed as a Non-executive Director from 17 September 2018 and as Non-executive Chairman from 1 November 2018

Age: 66

Independent: N/A¹

Tenure: 3 years (renewed in September 2021)

Term of office: 3 years², 3 months¹ notice

Re-election to Board: Annually at AGM

Skills and Experience: Sir Douglas has a strong track record of board leadership and in-depth knowledge of financial reporting, banking and investment business and brings this wealth of finance and governance experience and expertise to the Board. Former positions include Group Chairman of HSBC for 7 years, HSBC's Group

Finance Director for 15 years and Non-executive Director of BP plc for 6 years. Sir Douglas was also formerly a partner in KPMG.

Key external appointments: Chairman of abrdn plc, HM Treasury's Special Envoy to China's Belt and Road Initiative, Chairman of the Just Finance Foundation, Director of the Centre for Policy Studies, sits on the Global Advisory Council of Motive Partners and the Hakluyt International Advisory Board, Chairman of the Corporate Board of Cancer Research UK, Non-executive Director of the UK International Chamber of Commerce (World Business Organization Limited) and a Trustee of the Royal Marsden Cancer Charity.

Committee memberships: Nomination (Chair) and Remuneration



Greg Smith Chief Executive Officer

Effective date of current service agreement: 6 October 2021

Age: 43

Independent: No

Tenure: 10 years as an Executive Director, less than 1 year as Chief Executive Officer

Term of office: Permanent, 6 months' notice

Re-election to Board: Annually at AGM

Skills and Experience: Greg gained significant knowledge of the Group and the sector in which it operates through his decade's tenure as Chief Financial Officer of the Group, during which he contributed broadly and successfully to the Group's expansion geographically and in scale.

He has deep experience of capital and resource allocation and investment appraisal and this experience, together with his financial expertise, plays a fundamental role in driving the Group's strategy, purpose and vision. His strong communication skills have been critical to maintaining and optimising the Group's relationship with its key stakeholders. Prior to joining the Group, Greg held positions at both Tarchon Capital Management and KPMG. Greg is a Fellow of the ICAEW and holds a degree in Mathematics.

Key external appointments³: None

Committee memberships: None



David Baynes Chief Financial and Operating Officer

Effective date of current service agreement: 6 October 2021

Age: 58

Independent: No

Tenure: 8 years as an Executive Director, less than 1 year as Chief Operating and Financial Officer

Term of office: Permanent, 6 months' notice

Re-election to Board: Annually at AGM

Skills and Experience: David's financial background and expertise, together with his experience gained during his tenure as the Chief Operating Officer of the Group, provide the experience required to drive the Group's achievement of its financial goals and operating targets. David has a long track record of

working successfully with the boards of investee companies as they develop and mature, often in challenging and disruptive circumstances. David was appointed to the Board in March 2014 following the acquisition by the Group of Fusion IP plc where he held the position of Chief Executive Officer for 10 years. David brings previous additional experience taking companies from start-up to full listing on the London Stock Exchange. David was also previously CFO of Codemasters Limited.

Key external appointments³: Non-executive Director of Kwalee Limited

Committee memberships: None



Heejae Chae Non-executive Director

Effective date of current letter of appointment: 3 May 2018

Age: 53

Independent: Yes

Tenure: 3 years (renewed in May 2021)

Term of office: 3 years², 3 months' notice

Re-election to Board: Annually at AGM

Skills and Experience: Heejae is an experienced public company director, bringing both knowledge of finance and industry, having spent the early part of his career in finance at The Blackstone Group

and Credit Suisse First Boston before moving into industry. Heejae's former positions include CEO of Scapa Group plc, Group Chief Executive of Volex Group plc and Group General Manager for Amphenol Corporation.

Key external appointments: Member of the Board of Overseers at Boston Children's Hospital

Committee memberships: Nomination, Audit & Risk and Remuneration (Chair)



Dr Elaine Sullivan **Non-executive Director**

Effective date of current letter of appointment: 30 July 2015

Age: 61

Independent: Yes

Tenure: 6 years (renewed in July 2021)

Term of office: 3 years², 3 months' notice

Re-election to Board: Annually at AGM

Skills and Experience: Dr Elaine Sullivan has over 25 years' international experience working in the pharmaceutical industry and was a member of the senior management teams in R&D at Eli Lilly and Astra Zeneca. Dr Sullivan is also co-founder and former CEO of Carrick Therapeutics. She has extensive experience in partnerships with

venture, equity and strategic collaborations and was a member of the Investment Committees of Lilly Ventures and Lilly Asian Ventures. She has an outstanding track record of identifying drug hunting cutting edge technologies at beta stage and working with the inventors to produce the commercial product.

Key external appointments: CEO of Keltic Pharma Therapeutics, supervisory Board of Evotec AG, Executive Entrepreneur and Advisor to Carrick Therapeutics and Non-executive Director of Open Orphan plc

Committee memberships: Nomination, Audit & Risk and Remuneration



Dr Caroline Brown **Non-executive Director**

Effective date of current service appointment: 1 July 2019

Age: 59

Independent: Yes

Tenure: 2 years

Term of office: 3 years², 3 months' notice

Re-election to Board: Annually at AGM

Skills and Experience: Dr Brown has a wealth of experience covering accounting and audit, banking and investments, as well as science and technology, all of which are highly relevant for the Board. She has over 20 years' plc board experience and held

previous positions in corporate finance at Merrill Lynch (New York), UBS and HSBC. Caroline is a Fellow of the Chartered Institute of Management Accountants.

Key external appointments: Caroline is a Non-executive Director of Georgia Capital plc, Luceco plc, Rockley Photonics Holdings Limited and W.A.G payment solutions plc. She is also a member of the global partnership council of Clifford Chance LLP.

Committee memberships: Nomination, Audit & Risk (Chair) and Remuneration



Aedhmar Hynes **Senior Independent Director and Designated Non-executive Director for employee engagement**

Effective date of current letter of appointment: 1 August 2019

Age: 55

Independent: Yes

Tenure: 2 years

Term of office: 3 years², 3 months' notice

Re-election to Board: Annually at AGM

Skills and Experience: Aedhmar brings valuable experience to the Board in relation to technology disruption, digital transformation and marketing and strategic communications. Aedhmar has many years' experience in communications and is the former CEO of Text100, a digital communications agency with 22 offices and over 600 consulting

staff across Europe, Asia and North America. Aedhmar is also the Senior Independent and the Group's Designated Non-executive Director for employee engagement on the Board.

Key external appointments: Trustee of Connecticut Public Broadcasting, The Page Society, Advisory Council member of the MIT Media Lab, Board Director of Technoserve, member of the US Foundation Board of the National University of Ireland, Galway and a Henry Crown Fellow at The Aspen Institute.

Committee memberships: Nomination, Audit & Risk and Remuneration

- ¹ Sir Douglas Flint was considered by the Board to be independent on appointment.
- ² Subject to renewal for subsequent three-year terms as set out on page 102.
- ³ Excludes appointments to Group portfolio company boards.

Corporate Governance Framework

Compliance with the UK Corporate Governance Code 2018 (the “Code”)

The Board is committed to meeting the high standard of corporate governance as set out within the Code (available at www.frc.org.uk/directors/corporate-governance-and-stewardship/uk-corporate-governance-code) and to compliance with best practice as it develops. The directors consider that the Group has been, and continues to be, in compliance with all the relevant provisions set out in the Code.

Further explanation as to how the main principles set out in the Code have been applied by the Group is set out below, as well as in the s172 statement, the Directors’ Remuneration Report, the Audit & Risk Committee Report, the Nomination Committee Report and the Strategic Report. The Group confirms it applied the main principles and complied with all the provisions of the Code throughout the year.





Corporate Governance Statement



Sir Douglas Flint

Chairman

During 2021, the Group continued its focus on maintaining the highest standards of corporate governance, ensuring that the interests of stakeholders are fully integrated into the Board's decision-making processes.

The Board aims to ensure the highest standards of corporate governance and accountability are met alongside promoting a culture of risk identification, reporting and mitigation. The Board is accountable to the Company's shareholders for good governance, and this report, together with the Reports of the Remuneration, Nomination, and Audit & Risk Committees of the Board, describe the Group's detailed approach to corporate governance and the key developments which have taken place in this area during the year.

Effective corporate governance is integral to the Board's oversight of the execution of the Group's strategy and is critical to building strong relationships with all the Group's stakeholders in order to earn their backing for the Group's purpose to evolve great ideas based on attractive intellectual property into world changing businesses. The Group continues to foster a culture of innovation, mutual support and diversity, whilst encouraging employees to engage in healthy debate and challenge to consider a wide range of opinions when making decisions. For more information on the culture the Group and its Board wishes to foster, see page 78. A key focus of the Group during the year has been to further develop the Group's processes for recording its engagement with stakeholders, both to enable the reporting of feedback to the Board to be taken into account in its decision-making, as well as to enable appropriate communication back to shareholders on how the Board has taken such feedback into consideration in its decision-making. For further details on how the directors have complied with their duties under s172 of the Companies Act 2006 (the "CA 2006"), including in their decision-making, please refer to pages 84 to 87.

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The Company's focus of providing capital to companies whose products and services will meaningfully contribute towards a more sustainable, healthier, tech-enriched future is supported by our commitment to effective governance, the execution of which is continuously evolving to reflect the changing expectations of our key stakeholders and the product of wide-ranging discussion within the Board around opportunities for self-improvement."

Compliance with the UK Corporate Governance Code 2018

The Group applied the principles of the UK Corporate Governance Code 2018 (the "Code") and complied with all its provisions throughout 2021. The table below shows the principles set out in the Code and where key content can be found.

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The Group upholds strong business values which focus on being passionate, principled and pioneering in all of its activities and actions. These values continue to guide the Group in implementing its strategy and employees are committed to demonstrating these values throughout their work. Both the ESG Committee, which has responsibility for the oversight and implementation of the Group's ESG and Sustainability policy, and the Ethics Committee, which provides guidance on ethical issues and monitors the Group's compliance with the Ethical Investment Framework, ensure that the Group's values and culture are also implemented in the Group's approach to making further investments. Further details of how the Group mitigates climate-related risk are included on page 54.

The Board welcomes the opportunity to discuss any matters relating to corporate governance with shareholders during the year and at the Group's forthcoming Annual General Meeting ("AGM") on 14 June 2022. In addition, and to facilitate engagement with shareholders throughout the year, the Group maintains a dedicated company secretary email address (cosec@ipgroupplc.com) to which shareholders can submit questions as any time.

Sir Douglas Flint

Chairman

The Board

Role and responsibilities of the Board

The Board is responsible to the Company's shareholders for the overall management of the Group in a way which promotes the Group's long-term sustainable success. The Board defines, challenges and interrogates the Group's strategic aims and direction, and provides entrepreneurial leadership within a framework of controls for assessing and managing risk.

The Board recognises that, in discharging its responsibilities, it is necessary to support the maintenance and evolution of a policy and decision-making framework in which the Group's strategic aims are implemented, through: ensuring that the necessary financial and human resources are in place to meet those aims; monitoring performance against key financial and non-financial performance indicators; planning for Board and senior management succession; overseeing the system of risk management; setting values and standards in governance matters; monitoring environmental, social and governance policies and performance; and helping to shape and embed the Group's purpose, vision, strategy, values and culture. The Board recognises that its role in setting and maintaining the Group's culture is of key importance. The Group's culture is one of the key strengths of its business and plays a strong role in attracting, retaining and incentivising the most talented people. Further information on the Group's culture is on page 78.

In supporting the Group's business and its portfolio companies, the Board acknowledges the key roles of Group functions in the fields of executive search, capital raising, legal advice and support, intellectual property strategy and due diligence support, alongside the hands-on approach and high level of support provided by the experienced, sector-specific investment partnership team members. The directors believe that the Group's approach to supporting its portfolio companies in this way is unique and serves, not only to build sustainable businesses with longevity, but also to provide attractive returns for stakeholders by creating value over the longer term.

The directors are responsible for promoting the long-term success of the Company and thereby the Group, taking into account the interests of shareholders and all other relevant stakeholders in carrying out this responsibility. The responsibility of the directors is collective, considering their respective roles as executive directors and non-executive directors. The non-executive directors are responsible for constructively challenging and contributing to proposals on strategy as part of the Board approval process, scrutinising the performance of management against targets set and determining appropriate levels of remuneration. The non-executive directors must also satisfy themselves of the integrity of financial information, and that financial controls and systems of risk management are robust and comprehensive. The executive directors are responsible for making and implementing day-to-day decisions (other than matters reserved for the Board) within the risk appetite and tolerance and operating and financial constraints set by the Board.

The Board reviews the purpose and strategy of the Group and any issues arising from it on a regular basis, and exercises control over the performance of the Group by agreeing budgetary and other targets and monitoring performance against those targets.

Corporate Governance Statement

continued

Board activities during 2021

Principal decisions

- Approved the Group's support for the shareholder resolutions to facilitate the IPO of Oxford Nanopore Technologies plc and the Group's realisation of £84m through the partial sale of the Group's holding in the company (see page 87 for further details)
- Approved other portfolio company investments and divestments required in line with the Group's delegated investment and realisation authorities
- Approved the succession planning for the CEO and creation of the Chief Financial and Operations Officer role
- Approved the Group's Capital Allocation Policy following engagement with key shareholders, including the implementation of the Group's share buyback policy (see page 50 for further details and page 87 in relation to the Group's s172 considerations and shareholder engagement)
- Approved the Group's maiden final Dividend for FY 2020, and an interim Dividend for 2021, together with the Scrip Dividend Scheme (see page 50 for further details)
- Approved the restructuring of the Group's US operations
- Approved the establishment of a joint venture fund in China with China Everbright
- Approved the development of a Cleantech business as a distinct capital allocation destination

Board and committee composition and conduct

- Approved and oversaw the executive leadership succession
- Oversaw the formation of the Group's Executive Committee and appointment of two Employee Executives (see page 79 for further details)

Strategy and risk

- Supported and engaged with the Executive Directors on a detailed strategic review covering all components of the Group's strategy including the Group's sourcing, investment and capital strategies, its international positioning and its talent strategy, all in the context of the wider markets and global environment
- Reviewed the Group's competitive landscape
- Regularly discussed and debated the form and implementation of the Group's Capital Allocation Policy
- Debated in detail the Board's risk appetite regarding the Group's principal risks
- Considered the longer-term emerging risks which may impact the Group and its business

Corporate governance

- Reviewed policies, processes and procedures to ensure continued compliance with the Code
- Reviewed, and updated where necessary, terms of reference for its Committees
- Received an update from the Group's ESG Committee
- Received an update from the Group's cleantech partners on the Group's climate-related risks and opportunities following COP26
- Received an update on the UK governance reforms. The key areas of focus included responding to the government's consultation on UK audit and corporate governance reforms and preparation for an expected internal controls regime (see page 140 for further details)

Shareholders

- Considered, and engaged with key shareholders in relation to the Group's approach to capital allocation and returning cash to shareholders (see page 85 for further details and page 87 in relation to the Group's s172 considerations and shareholder engagement)
- Received a presentation from the Company's brokers on the market and defence strategies
- Discussed the Company's share price performance, in particular the discount to NAV and what actions could be taken to narrow the gap

Employees

- Received quarterly people updates from the Group People Director including on culture and values, inclusion and diversity, learning and development and the results and actions from the regular staff surveys
- Received a report from the Designated NED at each Board meeting on her engagement activities with IP Connect

Updates from the business and portfolio companies

- Received updates at each Board meeting from the Managing Partners of the Life Sciences and Technology Partnerships, which included detail on the short to medium-term strategy for each partnership and their focus portfolio companies
- Received bi-annual updates from the Managing Directors of the US, Australasia and Hong Kong businesses
- Received bi-annual updates from the leadership team at Parkwalk

Board effectiveness

- Implemented the recommendations from the 2020 Board evaluation (for further detail, see page 109 of the Nomination Committee Report)
- Reviewed plans for the internal 2021 Board effectiveness review

Schedule of matters

Except for a formal schedule of matters, which are reserved for decision and approval by the Board, the Board has delegated the day-to-day management of the Group's operations to the executive directors, supported closely by the Executive Committee and other members of the senior management team. The schedule of matters reserved for Board decision and approval are those significant to the Group as a whole due to their strategic, financial and/or reputational implications. The schedule, along with the terms of reference for each of the Audit & Risk, Remuneration and Nomination Committees can be found within the Corporate Governance section of the Group's website at www.ipgroupplc.com and are also available from the Group's Company Secretary. This schedule was reviewed in 2021 and all recommended changes were accepted by the Board. The schedule will be reviewed again in 2022.

Committees and Oversight

In addition to the executive directors, the Board delegates specific responsibilities to certain committees that assist the Board in carrying out its functions and ensure independent oversight of internal control and risk management.

The three principal Committees of the Board (Audit & Risk, Nomination and Remuneration) play an essential role in supporting the Board in fulfilling its responsibilities and ensuring that the highest standards of corporate governance are maintained throughout the Group. Each Committee has its own terms of reference which set out the specific matters for which delegated authority has been given by the Board.

Separate reports on the role, composition, responsibilities and operation of each of the Nomination, Remuneration and Audit & Risk Committees are set out on pages 108 to 113, pages 114 to 117 and pages 140 to 143 respectively.

The composition of the three principal committees of the Board and a record of the attendance of the members throughout the year is set out in the table on page 101.

In 2021, a new Executive Committee was established, which comprises the Group's two Executive Directors, the Managing Partners of Technology and Life Sciences, the General Counsel, the Director of Communications, the Group People Director and two Employee Executives. Within the agreed financial limits set by the Board, the Executive Committee has primary authority for the day-to-day management of the Group's operations, save for those matters which are expressly reserved for the Board or its committees. The Executive Committee is a decision-making body which reports into the Board, primarily through the CEO and the Chief Financial and Operating Officer. Further details around the Executive Committee and the Employee Executive roles can be found on page 79.

The Disclosure Committee assists the Group to make timely and accurate disclosure of all information that is required to be disclosed in order for the Group to meet its legal and regulatory obligations arising from its listing on the London Stock Exchange. It provides relevant training to the Board and also enables the Group to meet its obligations under the Market Abuse Regulation and takes responsibility for the assessment and control of inside information, both in respect of the Group and its quoted portfolio companies. The composition of the Disclosure Committee comprises the Chief Executive Officer, the Chief Financial and Operating Officer, the General Counsel, the Head of UK Legal, the Director of Communications and a minimum of one non-executive director.

The Group has investment committees for each of its Technology and Life Sciences Partnerships, as well as in Australasia. Decisions relating to investments and divestments in portfolio companies (other than those reserved for the Board) are delegated to these investment committees within defined parameters and with specific quorum requirements.

Board size and composition

As at 31 December 2021, there were seven directors on the Board: the Chairman, two executive directors and four non-executive directors. The biographies of all directors are provided on pages 192 and 193.

Professor David Begg, who served on the boards of Touchstone Innovations plc and subsequently IP Group for nearly nine years, retired from the Board in June 2021, with Aedhmar Hynes succeeding Professor Begg as the Senior Independent Director.

On 6 October 2021, following the successful IPO of Oxford Nanopore Technologies plc, Alan Aubrey and Mike Townend stepped down from the Board as Chief Executive Officer and Chief Investment Officer, respectively. Alan Aubrey was succeeded by Greg Smith, previously Chief Financial Officer, as Chief Executive Officer, and David Baynes, previously the Group's Chief Operating Officer, added the executive responsibility for finance to his role and became the Group's Chief Financial and Operating Officer (for further detail, see page 113 of the Nomination Committee Report). No other changes were made to the Board during 2021.

In accordance with the provisions of the Code, all of the directors will be offering themselves for re-election at the 2022 Annual General Meeting. The Board unanimously recommends to shareholders the reappointment of all the directors that are offering themselves for re-election, on the basis that the results of the annual Board evaluation and the annual one-to-one performance appraisal process demonstrated that they are all effective directors of the Company and continue to display the appropriate level of commitment in their respective roles.

Diversity

The disclosure required by DTR 7.2.8 relating to the Group's diversity policy is presented in the Nomination Committee Report on page 109.

Company Secretary

All directors have access to the impartial advice and services of the Company Secretary. The Company Secretary acts as a key point of contact for the Chairman and has an important role in ensuring both the quality of information that flows between the Executive and non-executive directors and that any agreed actions are completed. The Company Secretary supports the Chairman and the Nomination Committee on performance evaluation, the induction of new directors and the continuing development of current directors to enable them to comply with their duties and effectively carry out their roles.

Corporate Governance Statement

continued

Non-executive Directors

The non-executive directors provide a wide range of unique skills and experience to the Group as detailed on page 104. By virtue of such a diverse mix of skills and experience, the non-executive directors are well placed to constructively challenge and scrutinise the performance of executive management at both Board and Committee meetings.

The Group's policy is to prohibit personal investments by non-executive directors in any of the Group's portfolio companies. Accordingly, none of the non-executive directors presenting themselves for re-election at the Annual General Meeting in 2022 have holdings in any of the Group's portfolio companies.

Directors are required to obtain the formal written approval of the Chairman before taking on any further directorial appointments or other engagements with an organisation that competes with the Group (whether directly or indirectly), and the Chairman requires the approval of the Board before adding to his commitments. In all cases, directors must ensure that their external appointments do not involve excessive time commitments. Details of key external appointments of the directors can be found on page 92.

Board meetings, provision of information and decisions

The Board meets regularly during the year as well as on an ad hoc basis, as required in response to the needs of the Group's business.

The Board had six scheduled Board meetings and one strategy session in 2021; seven Board meetings and a two-day strategy session are scheduled for 2022. The requirement for additional scheduled meetings is kept under review by the Chairman and the Company Secretary.

Due to COVID-19, only one Board meeting and one strategy session was held physically in London in 2021, with the remainder of the meetings and the strategy sessions taking place remotely via video conference. Meetings between the Chairman and the non-executive directors, both with and without the presence of the Chief Executive Officer, are also held throughout the year. In 2021, such meetings were held remotely via video conference.

The Board held two strategy sessions in November 2021 and December 2021 respectively. During the longer session in November, the Board received presentations on capital, talent and opportunity sourcing, as well as heard from the Cleantech team on their plan to build a branded climate investment initiative, focusing on technologies fundamental to the transition to net zero. In addition, Greg Smith updated the Board on the work he had done to date on the Group's strategic review and sought input from each of the non-executives on this initial work and on certain key questions. In December, Greg Smith took the Board through the further progress he had made on the strategic review, presented an early view of the evolution of the Group's purpose, vision and strategy and again sought feedback from each of the non-executives in helping to shape this.

The schedule of Board and Committee meetings each year is, so far as possible, determined before the commencement of that year, and all directors are expected to attend each meeting. Board and Committee meetings are often split over two days to ensure sufficient time is allocated for the business

of the Committees and the Board and that full engagement is possible from those in attendance. Such scheduling also seeks to enable more in-depth engagement between the non-executive directors, Executive directors and the rest of the Executive Committee and other staff of the Group outside of the scheduled meetings, primarily through Board dinners and social events. In addition, the Chairman and the non-executive directors had a number of calls without the presence of the Executive directors during the year, both around and between Board meetings.

Every member of the Board receives detailed Board packs three to five business days prior to each scheduled Board meeting, which include an agenda based upon the schedule of matters reserved for its approval along with appropriate reports and briefing papers, save in respect of meetings called on short notice or where late papers are permitted to be included with the consent of the Chairman.

The Chairman, Chief Executive Officer, Chief Financial and Operating Officer, Company Secretary and Managing Partners of the Life Sciences and Technology Partnerships work together to ensure that the directors receive relevant information to enable them to discharge their duties and that such information is accurate, timely and clear. This information includes monthly management accounts containing an analysis of performance against budgets and other forecasts, as well as written reports from each of the Life Sciences and Technology Partnerships, the Australasian and US businesses, IP Capital (including Hong Kong and China) and Parkwalk. Additional information is provided as appropriate or if requested. At each Board meeting, the Board receives information, reports and presentations from the Chief Executive Officer and the Chief Financial and Operating Officer, the Managing Partners of the Life Sciences and Technology Partnerships and, by invitation, other members of the Executive Committee and senior management. This includes bi-annual presentations from the US and Australasian business units and presentations from Parkwalk, the Group People Director, Director of Communications and a representative of the ESG Working Group and Ethics Committee. These presentations ensure that all Directors are aware of, and are in a position to monitor effectively, the overall performance of the Group, its development and implementation of strategy and its management of risk.

Board and committee attendance

The following table shows the attendance of directors at scheduled Board and Committee meetings during the year:

	Board Meetings ¹	Audit and Risk Committee	Nomination Committee	Remuneration Committee
Sir Douglas Flint		 ²		
Greg Smith		-	-	-
David Baynes		-	-	-
Dr Elaine Sullivan				
Heejae Chae				
Dr Caroline Brown				
Aedhmar Hynes				
Alan Aubrey ³		-	-	-
Mike Townend ³		-	-	-
Professor David Begg ⁴				

¹ Five of the six meetings were held remotely via video conference due to COVID-19.

² Sir Douglas Flint attends the Audit and Risk Committee meetings as an observer.

³ Alan Aubrey and Mike Townend retired from the Board on 06 October 2021.

⁴ David Begg retired from the Board on 09 June 2021.

For directors retiring during the year, their attendance record reflects the meetings they were eligible to attend during their time in office.

Directors' conflicts of interest

Each director has a statutory duty under the CA 2006 to avoid a situation in which he or she has, or could have, a direct or indirect interest that conflicts or may potentially conflict with the interests of the Company. This duty is in addition to the continuing duty that a director owes to the Company to disclose to the Board any transaction or arrangement under consideration by the Company in which he or she is interested. The Company's Articles of Association permit the Board to authorise conflicts or potential conflicts of interest.

In deciding whether to authorise any conflict, the directors must have regard to their general duties under the CA 2006 and their overriding obligation to act in a way they consider, in good faith, will be most likely to promote the Company's success. In addition, the directors can impose limits or conditions when authorising a conflict or potential conflict of interest if they think it appropriate.

The Board has established procedures for managing and, where appropriate, authorising any such conflicts or potential conflicts of interest. Directors' conflicts are a recurring agenda item at all Board meetings, and this gives directors the opportunity to raise at the beginning of every Board meeting any actual or potential conflict of interests that they may have on the matters to be discussed or to update the Board on any change to a previous conflict of interest already declared. Furthermore, where it feels it needs more information to properly consider the conflicts or potential conflicts which may present themselves, the Board requests

a detailed analysis to be carried out by the Executives, the Company Secretary and/or the in-house legal team, and to take external advice where appropriate, with the results of the same being presented with a recommendation as to how to manage any potential conflicts present effectively.

The authorisation of any conflict matter, and the terms of any authorisation, may be reviewed by the Board at any time. The Board believes that the procedures established to deal with conflicts of interest are operating effectively.

The Board's policy on personal investments by the executive directors in the Group's portfolio companies, previously permitted both investment into new opportunities and to follow pre-emption rights where such executive directors already had a holding. These historic personal investments are tightly controlled by the Group's internal policy relating to 'Holdings in Portfolio Companies' which includes, amongst other restrictions, maximum levels of investment by executive directors and staff in portfolio company financing rounds, full disclosure of all interests of executive directors in portfolio companies and the regulation and management of any potential conflicts that could arise and the requirement for pre-approval before any dealings in existing holdings. Following a review of this policy in 2020, the Board determined that executive directors should no longer be permitted to personally invest in financing opportunities in new portfolio companies. Executive directors are still permitted to follow their pre-emption rights in financings undertaken in portfolio companies in which they already have an interest, subject to the restrictions contained with the "Holdings in Portfolio Companies" policy mentioned above.

Corporate Governance Statement

continued

Board support

There is an agreed procedure for directors to take independent professional advice at the Company's expense. In accordance with the Company's Articles of Association, directors have been granted an indemnity issued by the Company to the extent permitted by law in respect of liabilities incurred as a result of their office. The indemnity would not provide any coverage where a director is proved to have acted fraudulently or dishonestly. A copy of the indemnity is available for inspection as required by the CA 2006. The Company has also arranged appropriate insurance cover in respect of legal action against its Directors and Officers.

Induction, awareness and development

A comprehensive induction process is in place for new directors. The programme is tailored to the needs of the individual director and agreed with them in advance and monitored throughout the process to ensure that they can gain a better understanding of the Group and its businesses.

This process includes:

- an overview of the Group and its businesses, structure, functions, strategic aims, risk management framework and remuneration policies;
- meetings/calls with the other Non-executive Directors, the Executive Directors, the Company Secretary, the Managing Partners of the Life Sciences and Technology Partnerships, heads of the US and Australasian businesses, the Group's People Director, heads of the various internal functions and Parkwalk executives;
- a meeting with both the Group's auditor and internal audit function;
- training on key legal and governance matters relevant to the Group and its policies;
- site visits to a number of the Group's portfolio companies, including, where possible, at least one or more within the Group's top ten holdings (by value), which will include meeting with such companies' management and a presentation from them on their businesses; and
- sessions as appropriate with the Group's advisers, as well as with appropriate external governance specialists, to ensure full awareness and understanding of their responsibilities and obligations as a director of a FTSE 250 company, and of the governance and legislative framework within which they must operate.

The content of the induction process is regularly re-evaluated by the Board when it is considering a new director appointment to ensure it remains tailored to the needs of the business of the Group and the specific profile of any incoming director. Following the completion of the induction process, the Company Secretary will seek feedback from the relevant incoming director to assist with this refreshing of induction processes.

On an ongoing basis for all directors, the Company Secretary arranges for an external governance specialist to attend one Board meeting annually to present on the key corporate governance changes over the previous twelve months and to signpost expected developments going forwards. In addition, the Board is kept updated on key legislative and governance changes and sentiment affecting the Group and how the Group is ensuring its compliance and obligations under all relevant legislation.

The Chairman and non-executive directors are encouraged to continue to visit a number of the Group's portfolio

companies, as well as to attend portfolio company events, both at the Group's head office and off-site. Due to the impact of the COVID-19 pandemic through much of 2021, no in-person meetings or site visits were possible. It is hoped that in-person meetings and site visits will resume in 2022. The Board continues to be exposed to the Group's portfolio through presentations at Board meetings by relevant members of the Group's staff and also via the Portfolio Company Update Programme which launched in 2020. This programme has, on a regular basis, showcased a significant number of the Group's portfolio companies across all three territories via bitesize Zoom sessions given by members of the Group's Investment or Executive teams, or by members of the relevant portfolio company management teams and is intended to continue into 2022. Recordings of these sessions are also available on the Group's intranet to which all of the non-executive directors have access.

In 2022, it is intended that presentations will continue to be provided to the Board on a rolling basis by members of the Group's various business units and working groups, in order to continue to update the Board on the Group's progress and to enhance the awareness of the Board as to how the Group operates on a day-to-day basis.

As a further aspect of their ongoing development, each director also receives feedback on their performance following the Board's performance evaluation each year and the Chairman reviews and agrees with each director their training and development needs for the year ahead. Access to training and development opportunities, including those relevant to the non-executive directors' membership on the Board's committees, is facilitated through the Company Secretary. Further details relating to the assessment of the Board's performance are set out on page 112.

Director rotation and independence

The Nomination Committee and the Company Secretary have agreed a standardised rotation schedule for each of the non-executive directors (including the Chairman). Each non-executive director is appointed for an initial three-year term pursuant to the terms of their respective letters of appointment. This initial term is then subject to renewal for subsequent three-year term(s) and, other than the Chairman, to a maximum of three consecutive three-year terms in order to maintain their independence from a governance perspective, in accordance with the Code. Provision 19 of the Code applies to the maximum term for the Chairman's appointment, and the Nomination Committee is responsible for ensuring compliance with this provision. The Chairman was considered by the Board to be independent on appointment.

Statement of Non-executive Directors' independence

The Code sets out the circumstances that should be relevant to the Board in determining whether each non-executive director is independent. The Board considers non-executive director independence on an annual basis as part of each non-executive director's performance evaluation. Having undertaken this review, and with due regard to provision 10 of the Code, the Board has concluded this year that all the non-executive directors are considered to be independent of management and free of any relationship or circumstance that could materially influence or interfere with, or affect, or appear to affect, the exercise of their independent judgement.

Internal controls & risk management

The Board recognises the importance of the Financial Reporting Council's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting. The Group's internal controls (including all material financial operational and compliance controls), which are Group-wide and were in place throughout 2021, were reviewed by the Board, with no significant failings or weaknesses being identified in respect of the year ended 31 December 2021 and up to the date of approval of the Annual Report and Accounts. Where the Board has identified areas requiring improvement, processes have been put in place to ensure that the necessary action is taken and that progress in such areas is monitored. Details of the Group's internal controls and risk management systems are provided on page 52.

The Board is responsible for establishing and monitoring internal control systems and for reviewing the effectiveness of these systems. The Board views the effective operation of a rigorous system of internal control as critical to the success of the Group. However, it recognises that such systems can provide only reasonable and not absolute assurance against material misstatement or loss. Details of the effectiveness reviews of the systems of risk management and internal control are provided on page 53.

The key elements of the Group's internal control system, all of which have been in place during the financial year and up to the date of approval of the Annual Report and Accounts, are as follows:

Control environment and procedures

The Group has a clear organisational structure with defined responsibilities and accountabilities. It adopts the highest values surrounding quality, integrity and ethics and these values are documented and communicated clearly throughout the whole organisation. An overview of the Group's risk management framework is set out on page 52.

The Group outsources its internal audit function to PwC. Details of the internal audit activity during 2021, including internal audit reviews, are on page 150.

Detailed written policies and procedures have been established covering key operating and compliance risk areas.

These are reviewed and updated at least annually by the Audit & Risk Committee.

Identification and evaluation of principal risks and uncertainties

The operations of the Group and the implementation of its objectives and strategy are subject to a number of key risks and uncertainties. The Board actively identifies and evaluates the risks inherent in the business, formally reviews these on at least an annual basis (or as market or business developments require) and ensures that appropriate controls and procedures are in place to monitor and, where possible, mitigate these risks. Specifically, all decisions relating to strategic partnerships and other collaborations and strategic acquisitions and disposals entered into by the Group are reserved for the Board's review and approval.

The Board regularly reviews significant fair value movements in individual portfolio companies, the Group's investments in its strategic assets and the top 20 most valuable portfolio company holdings. For details on the activities of the Group's Valuation Committee see page 141.

As described on page 52, the Group maintains risk registers setting out mitigations in place in each case. The key risks and uncertainties faced by the Group, as well as the relevant mitigations, are set out on pages 55 to 63.

Information and financial reporting systems

The Group evaluates and manages significant risks associated with the process of preparing consolidated accounts by having in place systems and controls that ensure adequate accounting records are maintained and transactions are recorded accurately and fairly to permit the preparation of financial statements in accordance with IFRS. The Board approves the annual operating budgets and receives details of actual performance measured against the budget at each meeting.

Further details in relation to the Group's approach to the management of its business risks, and the function and ongoing roles and responsibilities of its internal risk council are set out on pages 52 to 63 and on pages 141 to 142.



Corporate Governance Statement

continued







Engaging with key stakeholders

Engaging with stakeholders is an integral part of the Group's business and decision-making and critical to ensuring the future success of the business. During 2021, the Board and the Executive Committee reviewed the mapping of its key stakeholders and identified no changes to its key stakeholders during the past year. This process will be completed again in 2022.

As a result of the COVID-19 pandemic, the Group engages with its stakeholders (including employees) in various forms and using multiple different media. The increased flexibility in methods of engagement used have resulted in the Company obtaining wider access to, and input from, its stakeholders. During 2021, the Group has also provided a series of webinars showcasing the Group to mark its 20th anniversary, further information on these '20in21' events can be found on page 4.






Processes to ensure a high level of stakeholder engagement will continue to be reviewed during 2022. The table below sets out the Group's focus on the key relationships with stakeholders which enable the Group to discuss the potential impact of its decisions on the stakeholders affected by or relevant to the issue in question. Further details of the Group's engagement with its key stakeholders are set out on pages 84 and 85.

Name of stakeholder	Why we engage	How we engage	Issues that matter to this stakeholder group
 SHAREHOLDERS	<p>To ensure that:</p> <ul style="list-style-type: none"> shareholders have a strong understanding of and confidence in the Group's strategy, performance, purpose and culture; the Group fosters and maintains strong relationships with its shareholders; and the Board understands the issues that are important to the shareholders. 	<ul style="list-style-type: none"> Direct meetings/calls, primarily with the executive directors and senior management and consultation on various key issues for the Group with the Chairman and Senior Independent Director Results announcements, presentations and roadshows The Group's website Meeting with analysts and feedback from the Group's brokers Annual General Meeting/other General Meetings Annual Report and Accounts RNS and RNS Reach announcements Shareholder circulars Group capital markets events including, in 2021, the 20in21 webinars 	<ul style="list-style-type: none"> Financial performance Strategy The Group's funding model Capital allocation Long-term growth ESG factors Culture Diversity Significant changes to the Board and succession planning Remuneration of directors Matters affecting the share capital Inclusion and Diversity Compliance and governance

Name of stakeholder	Why we engage	How we engage	Issues that matter to this stakeholder group
 <p>EMPLOYEES</p>	<p>To attract, develop, incentivise and retain the best people, which is critical to achieving the Group's strategy and vision.</p> <p>Meaningful engagement with employees also helps to create a strong and supportive culture.</p>	<ul style="list-style-type: none"> • IP Connect employee forum • Designated NED for employees • Regular all-staff meetings (held remotely as a result of the COVID-19 pandemic) • Annual all-staff off-site (held remotely during 2021 over three separate days across the year to encourage maximum participation and engagement) • Weekly all-staff emails from the CEO • Staff intranet • Speaking up hotline and web reporting tool • Culture and engagement survey and other more regular pulse surveys • Regular all-staff social events • Portfolio Company Update Programme and 20in21 webinars • Internal training sessions • During the COVID-19 pandemic, virtual games and quizzes, fitness and wellbeing sessions, coffee catch-up sessions, TED talk discussions and regular email updates and check-in calls from HR 	<ul style="list-style-type: none"> • Strategy • Culture • Transparency of decision-making • Opportunities for learning, development and progression • Talent management • Inclusion and Diversity • Employee/workplace policies • Strong communication • Remuneration and benefits • Wellbeing • ESG factors
 <p>PORTFOLIO COMPANIES</p>	<p>To develop and support opportunities into a diversified portfolio of robust businesses which address some of the world's most pressing challenges.</p> <p>Part of the Group's purpose is to build businesses that have a positive social and environmental impact, and this forms an element of the Board's consideration of the long-term impact of its decisions.</p>	<ul style="list-style-type: none"> • Hands-on approach via portfolio company boards as investor directors/observers • Offering fundraising and capital markets expertise via IP Capital (the Group's fund management and corporate advisory business), executive search services to help build strong boards via IP Exec (in-house executive search function) and commercial advice and support on IP strategy and due diligence via the Group's inhouse IP specialist • Regular portfolio company events • Facilitating access to co-investors • Group capital markets events 	<ul style="list-style-type: none"> • Strategy • Financial performance • ESG factors • Fundraising • Building strong boards • The Group's funding model • Capital allocation • Culture • Investment Committee decision-making process
 <p>CO-INVESTORS</p>	<p>To build an investment network to support the Group's portfolio companies and to co-invest in portfolio companies.</p> <p>This helps to ensure that the Group's portfolio companies are adequately supported, both financially and in other areas such as board support, corporate governance and strategy.</p>	<ul style="list-style-type: none"> • Interacting with IP Capital • Via portfolio company boards where several investors have a board seat • Attending conferences and sector events • Group capital markets events 	<ul style="list-style-type: none"> • Strategy • Financial performance • Realisations • ESG factors • Investment evaluation and decision-making process • Culture
 <p>UNIVERSITIES AND OTHER RESEARCH INSTITUTIONS</p>	<p>To build, develop and maintain relationships with universities to identify promising research and create and build businesses around such research.</p> <p>This builds into one of the Group's strategic aims, which is to create and maintain a pipeline of compelling intellectual property-based opportunities.</p>	<ul style="list-style-type: none"> • Regular interaction with investment teams in the UK, the US and Australia • Annual relationship review in Australia 	<ul style="list-style-type: none"> • Strategy • Financial performance • ESG factors • Culture • Realisations • The Group's funding model • Capital allocation

Corporate Governance Statement

continued

Name of stakeholder	Why we engage	How we engage	Issues that matter to this stakeholder group
 <p>THE ENVIRONMENT AND WIDER COMMUNITY</p>	To generate social and environmental impact, which is part of the Group's core purpose.	<ul style="list-style-type: none"> • Via the Group's portfolio companies • Supporting UK woodland creation via Woodland Carbon Code • New three-year charity partnership with IntoUniversity charity • Giving to 20 different charities to mark "20in21" anniversary • Website • Member of UN Global Impact • Member of UN Principles for Responsible Investment • Member of ESG_VC and Venture ESG Groups • Hosting a "Cleantech Showcase" event at COP26 in Glasgow 	<ul style="list-style-type: none"> • ESG factors • Impact • Capital allocation • Strategy • Inclusion diversity • Compliance and governance • Culture
 <p>THE EUROPEAN INVESTMENT BANK AND THE EUROPEAN INVESTMENT FUND</p>	To maintain strong partnerships with the EIB, as lender to the Group, and the EIF, a significant investor in the Group's managed/co-invest funds.	<ul style="list-style-type: none"> • Regular reporting requirements • Direct conversations and consultation on matters relevant to them • Attendance and presentation at EIB and EIF conferences 	<ul style="list-style-type: none"> • Strategy • Financial performance • The Group's funding model • Realisations • Compliance and governance • ESG factors
 <p>REGULATORS INCLUDING THE FINANCIAL CONDUCT AUTHORITY, TAKEOVER PANEL AND THE AUSTRALIAN SECURITIES AND INVESTMENT COMMISSION</p>	To maintain strong relationships with regulators.	<ul style="list-style-type: none"> • Direct correspondence on matters as necessary • Correspondence with the Takeover Panel on concert party matters • Regular reporting to the Financial Conduct Authority, and incorporation of any feedback received • Regular reporting to the Australian Securities and Investment Commission, Australian Prudential Regulation Authority, and the Australian Transaction Reports Analysis Centre 	<ul style="list-style-type: none"> • Strategy • Financial performance • Compliance and governance • The Group's funding model • Portfolio liquidity • ESG factors • Business continuity and longevity
 <p>INDUSTRY ANALYSTS</p>	To ensure analysts have a strong understanding of the Group's strategy, performance, purpose and culture and to ensure that the Group has strong relationships with its analysts.	<ul style="list-style-type: none"> • Regular dialogue and correspondence with the executive directors and senior management team 	<ul style="list-style-type: none"> • Strategy • Financial performance • The Group's funding model • Capital allocation • Compliance and governance • ESG factors
 <p>GOVERNANCE BODIES</p>	To maintain strong relationship with proxy advisers, the Investment Association, the Financial Reporting Council and other governance bodies.	<ul style="list-style-type: none"> • Direct correspondence on matters as necessary • Correspondence with the Financial Reporting Council as further detailed on page 142 • Correspondence with proxy bodies in relation to the Group's Annual General Meeting and any other general meetings 	<ul style="list-style-type: none"> • Compliance and governance • Remuneration Policy • ESG factors • Inclusion and diversity

Share capital and related matters

Details of the structure of the Company's share capital (including shares held in treasury) and the rights attaching to the Company's shares are set out in note 1 to the consolidated financial statements. Details of the directors' authorities in relation to the issuing or buying back by the Company of its shares are set out in pages 144 to 145 of the Directors' Report.

Articles of Association

The Company's Articles of Association may be amended by a special resolution of the shareholders and were last amended in 2021.

Substantial shareholders

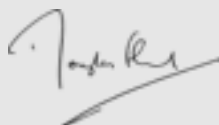
Details of persons who hold a significant direct or indirect holding of securities in the Company are set out on page 145 of the Directors' Report.

Annual General Meeting

Notice of the Annual General Meeting, which will be held on 14 June 2022 at IP Group plc, 3 Pancras Square, Kings Cross, London, N1C 4AG, is included with this Annual Report, containing details of the resolutions to be proposed at the meeting and explanatory notes on those resolutions. To ensure compliance with the Code, the Board proposes separate resolutions for each issue and proxy forms allow shareholders to vote for or against, or to withhold their vote on each resolution. The results of all proxy voting are published on the Group's website after the meeting and declared at the meeting itself. Shareholders who attend the Annual General Meeting will have the opportunity to ask questions and all directors are expected to be available to take questions.

The Group's website (www.ipgroupplc.com) is the primary source of information on the Group. The website includes an overview of the activities of the Group; details of its portfolio companies, and its key university relationships and other strategic collaborations; and details of all recent Group and portfolio company announcements.

On behalf of the Board



Sir Douglas Flint

Chairman
15 March 2022

Nomination Committee Report



Sir Douglas Flint

Chair of the Nomination Committee

Purpose

The key objective of the Nomination Committee is to ensure that the Board comprises individuals with the necessary skills, knowledge, experience, independence and diversity to ensure that the Board is effective in discharging its duties and is independent for the purposes of the Code. The box below sets out its key responsibilities to enable it to achieve this objective.

The contribution of each Board member to the Group is set out in the 'Board of Directors' skills section in the Directors' Report on page 111.

Key responsibilities

- Regularly reviews the size, composition and skills of the Board and leads the process and makes recommendations on any changes considered necessary in the identification and nomination of new directors, the reappointment of existing directors and the appointment of members to the Board's Committees
- Ensure that there is a formal, rigorous and transparent procedure for the appointment of new directors to the Board
- Assesses the roles of the existing directors in office to ensure there continues to be a balanced Board in terms of skills, knowledge, experience, independence and diversity
- Keeps under review the leadership needs of the Group to enable the Group to compete effectively in its chosen fields
- Advises the Board on succession planning for directors and other senior management appointments, given that the Board as a whole is responsible for succession generally
- Oversees a diverse pipeline for succession
- Considers the setting of diversity and inclusion policies, objectives, targets and strategies, alongside the Group's HR team and the Group's Inclusion and Diversity Project group, and monitors the impact and outcome of any agreed initiatives
- Oversees the induction of new directors and the training requirements of the Board as a whole
- Oversees the Group's controls over potential and actual conflicts of interests of the directors and senior management, including disclosure, authorisation and management of such conflicts as may be appropriate or otherwise required by law or regulation
- Assists the Chairman in the annual evaluation of the Board, ensures an externally facilitated evaluation at least once every three years and oversees the implementation of any actions or feedback arising from each evaluation

Membership and meetings

The Nomination Committee is chaired by Sir Douglas Flint. Its other members are all the other non-executive directors, ensuring a majority of independent non-executive directors as prescribed by the Code.

The Nomination Committee meets as and when required, or as requested by the Board, and had three scheduled meetings and one ad hoc meeting during 2021. The attendance by each member of the Nomination Committee at the scheduled meetings during 2021 is set out on page 101.



During 2021, the Committee's main responsibilities were to oversee the implementation and communication of the Executive leadership succession plan, as well as the formation and evolution of a new and more diverse Executive Committee. With both plans executed well, the Board and Executive leadership team is now well positioned to deliver on the Group's evolving strategy in 2022 and beyond."

The appointment process for future appointments is as follows:



Committee activities during 2021

Board composition

- Reviewed the size and diversity of the Board, including the skills present amongst the current members and identified where any gaps may be
- Discussed and agreed that the Board should be reduced to seven directors, including the Chairman, following the planned retirement of two executive directors

Succession planning

- Oversaw the implementation of the Executive leadership succession plan following the successful IPO of Oxford Nanopore and, in connection therewith, recommended to the Board the appointment of Greg Smith as Chief Executive Officer and David Baynes as Chief Financial and Operating Officer
- Continued to monitor the tenure of the non-executive directors and, in connection therewith: (i) oversaw the retirement of Professor David Begg as Senior Independent Director and recommended to the Board that Aedhmar Hynes succeed Professor Begg in such role; and (ii) recommended to the Board the re-election for further three-year terms of each of Sir Douglas Flint, Heejae Chae and Elaine Sullivan

Governance

- Reviewed the terms of reference for the Nomination Committee
- Reviewed corporate governance trends in relation to the role and purpose of Nomination Committees

Executive Committee

- Oversaw the formation and evolution of a new and more diverse Executive Committee.

Evaluation

- Oversaw the 2021 internal evaluation of the Board and its Committees, including a review of the progress against the actions arising from the 2020 Board evaluation and agreement of priorities for 2022

Terms of reference

The terms of reference for the Nomination Committee were reviewed in March 2022 and it was concluded that no further substantive updates were required at this time. The Nomination Committee reviews its terms of reference at least annually and will propose updates where necessary to reflect current market practice.

Appointments

In making future appointments to the Board, the Nomination Committee will continue to adopt a formal, rigorous and transparent procedure. It will give full consideration to the balance, skills, knowledge, independence and diversity (including diversity of gender, social and ethnic backgrounds, cognitive and personal strengths) of the Board. It will also consider the future challenges facing the business, any emerging trends which may affect the Group's long-term success and any specific technical skills and knowledge which may be required on the various Committees. In addition, for appointments to the Board, the Nomination Committee will always assess whether identified candidates have sufficient time available to devote to the role and meet what is expected of them effectively.

No new external directors were appointed during 2021.

Nomination Committee Report

continued

Diversity and inclusion

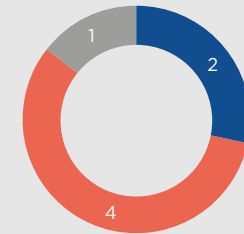
The Board is committed to a culture that attracts and retains talented people to deliver outstanding performance and enhance the success of the Group. Within that culture, the Board's policy is to make appointments to the Board based upon merit measured against objective criteria while recognising that diversity, in all its forms, is key to introducing different perspectives into Board debate and decision-making and creating optimal balance and composition of the Board. A genuinely diverse and inclusive Board and senior management team comprises individuals with a range of personal attributes, perspectives, skills, knowledge and experiences, as well as representing differences in nationality, age, gender, social, educational and ethnic backgrounds, and cognitive and personal strengths.

The Nomination Committee applies the Board's diversity strategy and policy in accordance with its terms of reference, considering diversity in the wider sense in evaluating the composition of the Board and the senior management team, in identifying suitable candidates for Board and senior management appointments and in overseeing a diverse pipeline for succession. The Group endorses the Hampton-Alexander target of 33% women in FTSE 350 Board and senior management teams and, whilst it continues to believe that it is not appropriate nor in the Group's best interests to include either Board, senior management or Group-wide fixed gender targets in its policies, it is pleased to note that this target has been exceeded at Board and achieved at senior management level, as shown in the table on page 113. The Board's intention is to continue to maintain female representation of at least the current level but will continue to consider all aspects of diversity in the wider sense when assessing the overall Board and senior management composition and in making new appointments going forward.

In relation to ethnic diversity, the Nomination Committee acknowledges the recommendation from the Parker Review Committee Report on the ethnic diversity of boards issued in October 2017 and the Parker Review update issued in 2020 that each FTSE 250 board should have at least one qualifying director by 2024. The Nomination Committee confirms that the Company currently complies with such recommendation. Consistent with the approach adopted by the Nomination Committee to gender diversity, the Nomination Committee does not consider it appropriate to include Board, senior management, or Group-wide fixed ethnicity targets in its policies at this stage and will continue to consider all aspects of diversity in the wider sense when making further appointments.

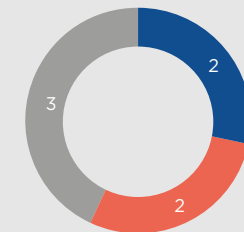
Even though it has elected not to set fixed targets at this stage, the Nomination Committee remains committed to both ensuring that the Group is able to attract and retain as diverse a range of employees as possible and that it maintains a diverse and inclusive working environment. The Nomination Committee is very pleased to note the increased diversity of thought on the Executive Committee through 2021, with additions of two Employee Executives in June 2021 to maximise the quality and diversity of thought applied to the decision-making process within the Group, and further additions in October 2021 concurrent with the Executive leadership succession event. Further, the Nomination Committee is also very pleased to note the evolution of the Group's inclusion and diversity work by the establishment of the ID Project (Inclusion and Diversity) in 2021, supported by the Equality Group, and the significant work that has already been undertaken to date as part of this project to define an inclusion and diversity strategy for the Group for 2022 and beyond. For further detail of the Group's work in this area, together with the process around the appointment of the Employee Executives, see pages 78 to 83. The Nomination Committee looks forward to significant continued progress in increasing both inclusion and diversity during 2022.

EXECUTIVE/NON-EXECUTIVE SPLIT



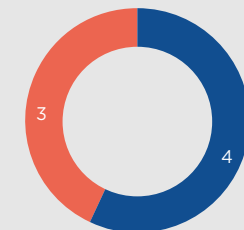
- Executive Director
- Non-executive Director
- Non-executive Chairman

BOARD TENURE



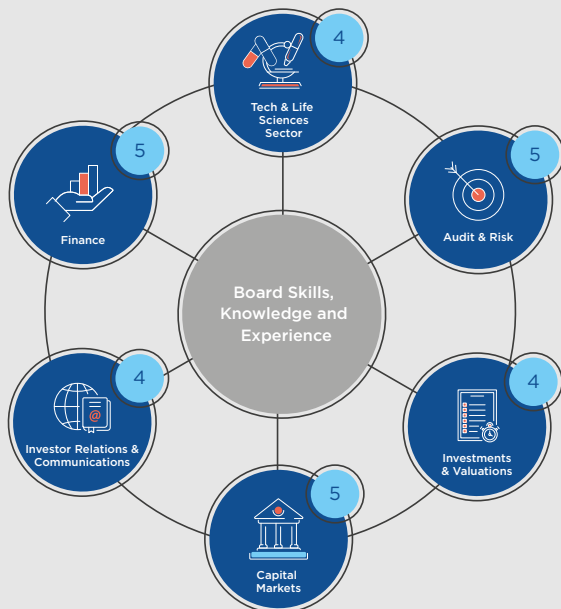
- 1-2 years
- 3-5 years
- Over 5 years

GENDER BALANCE



- Male
- Female

Board Skills Matrix



A breakdown of the Group’s people by gender, including the gender balance of senior management, as at 31 December 2021 can be found on page 80.

Succession planning

The Nomination Committee recognises that the Group’s performance is highly dependent upon its ability to attract, recruit and retain the highest-quality people and that maintaining a robust succession planning framework is a key factor in ensuring the Group’s long-term success. Succession planning also mitigates the risk of any unforeseen circumstances, ensuring that changes in Board or senior management positions are effectively managed, avoiding significant disruption to the Group and thereby ensuring that the Group can successfully execute its corporate strategy.

Executive Directors and Executive Committee

As detailed in last year’s report, the Nomination Committee undertook a comprehensive Executive leadership succession planning exercise during 2020 to assess objectively the future needs of the Board in delivering on the Group’s strategy and to benchmark the existing leadership resources against those needs. As part of this exercise, the Nomination Committee used an external executive search and leadership consultancy to assist in the identification and assessment of both internal and external candidates. Towards the end of 2020, the Nomination Committee had concluded its own process, with agreement on an Executive Leadership succession plan, but deferred finalising its recommendation to the Board in order to align the final decision with anticipated events in the portfolio, such as the potential Oxford Nanopore flotation, and to ensure continued stability for the Group during the COVID-19 pandemic.

Following the flotation of Oxford Nanopore and the easing of COVID-19 restrictions, the Nomination Committee reconvened in October 2021 to review and discuss the existing Executive Leadership succession plan. Given the in-depth nature of the exercise which had been undertaken in 2020 and the early part of 2021, including the use of external consultants to also

appraise the external market, the Nomination Committee members all agreed that the previously agreed plan remained current and valid. Accordingly, the Nomination Committee resolved to unanimously recommend the implementation of the agreed plan to the Board. Such plan was, in turn, unanimously approved by the Board. The Nomination Committee then oversaw its implementation, with Alan Aubrey and Mike Townend retiring from the Board in October 2021 after 16 and 14 years’ service respectively, Greg Smith succeeding Alan Aubrey as CEO, having emerged as the standout candidate from the process, and David Baynes adding the Board finance role vacated by Greg, becoming Chief Financial and Operations Officer. In order to ensure an orderly handover and transition, both Alan and Mike have remained as employees of the Group, serving their six-month notice periods until April 2022, and as consultants for a minimum of 12 months following this.

The Executive Committee, which was formed in March 2021, continued to evolve throughout 2021. The Group’s newly promoted Finance Director and the Parkwalk CEO joined the Executive Committee concurrent with the Executive Leadership succession in October 2021. Two Employee Executives (see more above and on page 79) were appointed in June 2021 to provide additional diversity of thought to the management team, and to improve decision-making as a result. The Committee is pleased to note that the Employee Executive appointments have worked well in practice, and that this novel approach is intended to be embedded for the long term. The Committee also notes that the appointment process demonstrated the significant depth of leadership talent within the wider group, which is encouraging in the context of long-term succession plans.

The formation and subsequent evolution of the Executive Committee structure has also improved our short and medium-term succession options. Increasing exposure to, and experience of, Board level decision-making processes beyond the executive directors both broadens the internal talent pool and increases the likelihood of further successful internal promotions. To ensure this potential is maximised, the Committee will continue to take an active role in succession planning, reviewing our overall plans for executive directors and, from 2022, Executive Committee succession on at least an annual basis. Whilst the 2022 annual review of succession is not due to be completed until later in the year, the Committee remains confident that both emergency and longer-term plans are in place for each executive director and Executive Committee role.

In particular, the Committee has identified appropriate emergency and short-term plans for each role, which can be executed at short notice should the need arise. For our executive directors, we are pleased to note that such short-term plans can be covered using existing internal resource, and that the same applies for the majority of the Executive Committee. The Committee will continue to work with executive directors, Executive Committee members and our Group People Director to ensure that longer-term succession plans are also in place. These plans are now supported by our talent development structure (set out in detail in the People and Culture section on page 81).

These structures, along with the Executive Leadership succession and following the strategic review being led by Greg Smith in his new role, mean that the Nomination Committee is confident that the Board and Executive Committee are well positioned to deliver the Group’s evolving strategy in 2022 and beyond.

Nomination Committee Report

continued

Non-Executive Directors

The Board did not make any non-executive appointments during 2021.

The Nomination Committee specifically considered the tenure of each of its Non-executive Directors during 2021. In connection therewith, Professor David Begg retired from the Board as Senior Independent Director at the conclusion of the 2021 AGM, having served nine years on the Board (including his time as Non-executive Director of Touchstone Innovations plc). Professor Begg was succeeded by Aedhmar Hynes as Senior Independent Director, following her successful re-election at the 2021 AGM. Further, the terms of appointment for Sir Douglas Flint, Heejae Chae and Elaine Sullivan were renewed for a further three-year term in line with the terms of their letters of appointments.

Below Board

In addition to succession planning at Board level, developing internal talent at all levels within the Group remains a continuous process. The Nomination Committee is responsible for ensuring that suitable leadership and talent development plans and processes are in place to maximise the potential of the Group's employees and that the Group has effective recruitment policies to continue to attract and retain a diverse mix of talented employees.

With much of its time subsumed by overseeing the Executive leadership succession and formation and evolution of the Executive Committee in 2021, the Nomination Committee intends to focus its efforts in 2022 on succession planning for the wider Executive Committee and other senior management team members and will work closely with the Group People Director on this. This will include putting in place the structures to identify, support and develop future leadership talent from within the Group, with the aim of ensuring the development of a diverse and robust succession pipeline for these positions and their direct reports.

Board effectiveness and performance evaluation

The Board carries out a review of the effectiveness of its performance and that of its committees and directors every year. The evaluation is externally facilitated every three years. The next external evaluation is due in the final quarter of this year, with an internal review having been conducted in respect of 2021.

2021 evaluation process

The 2021 internal evaluation process was led by the Chairman, with the support of the Company Secretary. The evaluation was carefully structured but pragmatic, designed to bring about genuine engagement with the process, to check on progress against actions identified in the 2020 evaluation and any further progress against open actions from 2019, and to assist in identifying any potential areas for improvement and/or prioritisation for the Board for the year ahead.

The process itself involved a detailed analysis of the progress made against the 2020 actions and open actions from 2019. Each of the Board members were invited to comment on this analysis during one-to-one video conference sessions with the Company Secretary. During the same sessions, the Company Secretary also discussed the composition of the Board, Board dynamics, the involvement of the Board in the decision-making required in connection with the Oxford Nanopore IPO and the provision of information in connection therewith, areas for improvement for the Board and its Committees during 2022, reflections on how well the Board and its Committees had continued to operate remotely, as it had also been required to do for the large part of 2021, and what the Board and Chairman's priorities should be for 2022. In addition, the process also involved questions around the operation and effectiveness of each of the Committees during the year in review. The approach had followed a similar process to that in 2020, which the Nomination Committee all agreed had been an effective internal review and so was appropriate to be replicated for a year in which there had been significant changes at Board level, both for consistency and to be able to most easily demonstrate where there had been year-on-year progress or where further focus and action was needed in the year ahead. In making this decision, the Nomination Committee had noted that a full external evaluation was due towards the end of this year when the current Board will have been operating together for at least twelve months, including overseeing a full strategic review, and so this would come at an appropriate time to enable a more detailed and independent analysis and measurement of the effectiveness of the Board.

Following the conclusion of the internal review, the following priorities were agreed by the Board for the year ahead:

- To oversee the finalisation of the strategic review and approve the Group's evolved vision, purpose and strategy, to include increasing focus on clear thematic areas, the timescales to achieve various milestones, aspirations as to scale and key impact priorities
- To further evolve and oversee the successful application of the Group's Capital Allocation Policy to enable the Group to achieve its strategic aims and objectives, including focusing more capital on conviction companies
- To keep under close review the relationship between the Group's share price and its updated NAV per share and recommend and support initiatives to narrow any material discount that exists
- To oversee, and engage actively with the Executive Directors and Executive Committee in relation to, the workstream on the Group's brand and values
- To support the CEO in his engagement with stakeholders on the evolved strategy and in raising his and the Group's profile in the external market
- To continue to champion and monitor greater inclusion and diversity and employee engagement within the Group
- To prepare for and undertake an in-depth external evaluation on the effectiveness of the Board and each of its Committees in the final quarter of 2022

Progress against 2020 actions

Set out below is the progress made against actions identified through the 2020 internal Board effectiveness review:

ACTION	PROGRESS
To further refine the Group's capital planning framework to address disposition strategies for material portfolio liquidity events.	A significant amount of work was undertaken on the Group's capital planning framework through 2021, including to address disposition strategies in connection with the Group's stake in Oxford Nanopore on IPO and beyond, as well as other significant realisations in the Group's portfolio. In addition, a formal capital allocation group was constituted which reports, and makes recommendations, to the Executive Committee in connection with the same. For further detail on the work around the Group's Capital Allocation Policy and the decisions made in relation to the same, including on Oxford Nanopore, see page 87.
To review and approve an updated Group strategy, including portfolio investment over the next 5 to 10 years, and to include impact and ESG priorities.	A full strategic review has been undertaken over the last five months following the succession event in October 2021, led by the new CEO and supported by the Executive Committee. For further detail on the Group's strategy, see page 24.
To champion and monitor greater diversity and inclusion and employee engagement across the Group.	<p>Inclusion and diversity across the Group was given significant focus through 2021, with Equality Group being appointed as an external advisor and the launch of the ID Project (Inclusion and Diversity). For more detail on the progress made, see page 78. The Group People Director will continue to report to, and engage with, the Board regarding progress, outcomes and actions of the inclusion and diversity work through 2022.</p> <p>Employee net promoter score ("eNPS") continues to be regularly monitored using the regular staff VIP surveys and outcomes with comment reported to the Board. A proportion of the Executive Committee's AIS targets are linked to eNPS and employee engagement more widely and the Group People Director engages directly with Aedhmar Hynes on annual outcomes, in her role as Designated NED for employee engagement. Employee engagement is also championed and monitored on an ongoing basis by Aedhmar's attendance and participation at IP Connect meetings, and her report at Board meetings on the same (see page 81).</p>
To ensure the newly formed Executive Committee operate effectively.	The Board oversaw the formation and evolution of the Executive Committee through 2021 and this group is already operating well together. See above for further details and pages 79 and 99.
To oversee the smooth implementation of the Executive Leadership succession plan as and when finalised.	The plan was finalised and implemented in October 2021. For further information on succession planning, see page 111.

Conclusion of the 2021 review

The internal evaluation concluded that the Board, its Committees and each of its directors continue to be effective, with good progress being made against the key actions identified from the 2020 internal review as well as further progress against those from 2019. There was unanimous agreement that the Board and its Committees had continued to operate well remotely through 2021, and with clear priorities having been identified for 2022. The effective stewardship and management of Board meetings by the Chairman, and his collegiate and inclusive style, was commented on, creating a conducive and supportive environment at Board meetings for participation and challenge. Furthermore, each of the Board Committees have an agreed set of clear priorities for the year ahead.

Director performance assessment and review

The performance of each of the non-executive directors is reviewed by the Chairman with support from the Company Secretary, the performance of the Chief Executive Officer is reviewed by the Chairman and the performance of the Chief Financial and Operating Officer is reviewed by the Chief Executive Officer as part of the annual appraisal process. In addition to those reviews, the performance of the Executive Directors is reviewed by the Board on an ongoing basis. One-to-one meetings have been held amongst the individuals concerned using, amongst other things, the input collated on the performance of each of the individuals from the Board evaluation process and individual development plans arising from these meetings are in the process of being put in place for the year ahead to include, as appropriate, further sessions on the Group's remuneration schemes and its ESG reporting and disclosures, as well as increased exposure to and interaction with portfolio companies and their management teams.

Directors' Remuneration Report

Remuneration Statement



Heejae Chae

Chair of the Remuneration Committee

Dear fellow shareholder,

I am pleased to present the Directors Remuneration Report ("DRR") for the year ended 31 December 2021. The report contains our proposed Remuneration Policy (pages 120 to 126), for which we will be seeking shareholder approval at the forthcoming AGM. The remainder of the report sets out remuneration outcomes for 2021 and how we intend to operate the Remuneration Policy in 2022.

Overview

2021 was a transformational year for IP Group. The Group delivered another year of exceptional financial performance, particularly Return on NAV and cash realisations, and successfully navigated the IPO of Oxford Nanopore, our largest individual asset. This performance has been delivered against the backdrop of continued global uncertainty as a result of both COVID-19 and geopolitical challenge. During 2021, and as covered elsewhere in this report, we also delivered our leadership succession, with both Alan Aubrey and Mike Townend retiring and stepping down, and the appointment of Greg Smith (CEO) and David Baynes (CFOO).

We believe that the combination of strong financial performance and successful leadership transition will set the business up for long-term success. It will be key to support this through effective remuneration structures, and our triennial review of the Remuneration Policy provided us with a timely opportunity to undertake a first principles review of our Executive remuneration structures.

I elaborate further on both the outcomes of the triennial review and 2021 remuneration outcomes below.

Review of Remuneration Policy – strategic alignment

During 2021 we undertook a comprehensive review of our Remuneration Policy with the aim of setting the business up for a further, sustained period of success. As such, we considered remuneration structures at a fundamental level. The Committee are very confident in the outcomes of this review, which was informed and supported by extensive shareholder consultation throughout the latter part of 2021 and early 2022. Our intended approach will align our



Exceptional financial performance, building the foundations for ambitious growth in the future."

executive management team remuneration structure with our long-term strategy and shareholder returns.

During 2021, we appointed a new management team, whom we expect to retain for the long term and who will set the foundation for the future success of the business. Our overriding aim during the review process was to create a greater alignment between the management team and our shareholders, primarily through reinforcement of the culture and mindset of ownership across the leadership of the business. Further, we are seeking to align management incentive outcomes with the long-term nature of our underlying investments, whilst remaining sensitive to the requirements of our investors and other stakeholders alike. Overall, we hope to ensure all our stakeholders benefit from a well-motivated, high-quality management team both now and into the future.

The key changes proposed to our Remuneration Policy are the replacement of the Long-Term Incentive Plan ("LTIP") with awards of Restricted Shares, combined with a reduction in annual bonus opportunity and an increase to the shareholding guidelines. We strongly believe that this new framework will better align our management team with our long-term value creation philosophy and will directly benefit our shareholders as a result. In addition, and as part of the recent CEO/CFOO succession, we have also re-positioned base salaries to market levels, moving away from our previous low salary "founder" pay model.

In the following context:

- **"First principles" review** – aligning to long-term value creation. The triennial review came at a key juncture in IP Group's evolution. Our approach to the remuneration review was therefore to return to "first principles" and ask fundamental questions about what types of incentive structure/mix would optimally support our strategy and focus on long-term shareholding and value creation, particularly at this key juncture in the Group's strategic development. As part of this process, we sought to understand the evolving academic evidence around types of executive remuneration and incentives, working with Alex Edmans of the London Business School and our independent advisors, Deloitte. As a result of this work, we identified an opportunity to tailor our approach with the aim of reinforcing the "ownership" mindset which exists in the management team, and at the same time better aligning overall incentive outcomes with the asymmetric nature of the returns from our underlying investments.
- **CEO/CFOO succession.** In October, Alan Aubrey retired as Chief Executive Officer after 16 years in the business, and Mike Townend also retired as Chief Investment Officer after 14 years in the business. Greg Smith (previously CFO) was appointed as CEO, and David Baynes, previously the Group's Chief Operating Officer, took on responsibility for finance and became our Chief Financial and Operating Officer (CFOO). In making these appointments and building a remuneration structure to support the development of the business, our overall objective is to ensure our shareholders and all other stakeholders continue to benefit from a well-motivated, high-quality

and consistent management team over the medium to long term.

- **Performance context:** The Group has delivered sustained strong NAV performance, especially over the last couple of years. This has been evidenced by high levels of growth in the underlying portfolio combined with exceptional recent (high profile) exits. Furthermore, there is a strong pipeline of short to medium-term opportunities for both realisation and significant value growth within the portfolio, both of which depend upon active management to deliver.
- **Market for talent.** Many competitors in our market are private companies or venture capital funds, who typically offer highly lucrative reward packages including the opportunity for significant long-term personal wealth creation via carried interest arrangements. Whilst we attract talented investment professionals with broader objectives than reward alone, we need to be competitive in this talent market, whilst remaining sensitive to the listed company environment in which we operate. We intend to continue to exclude our executive directors from participating in the IP Group carried interest arrangements, but at the same time seek to ensure that the packages available to our executive directors are commensurate with the value they deliver to our shareholders, and fair when compared to both internal and external comparators.

The relevance of this context can be seen in our proposals below, most notably our desire to ensure our overall package is optimally aligned to the objective of long-term equity ownership and value creation.

Summary of proposed Remuneration Policy Changes

Our approach to the proposed award levels for each element of the package has been to consider these from “first principles”. We are making a significant reduction to an already low annual bonus and moving away from medium-term high upside LTIP to more longer-term focused Restricted Shares, and to increase shareholding guidelines in line with this philosophy.

We have also transitioned away from a ‘founder’ CEO pay model to a new leadership team, in a market where many of our competitors are private companies or venture capital funds. These competitors typically offer highly lucrative reward packages, including the opportunity for significant long-term wealth creation via “carried interest” arrangements, which are not available to our executive directors.

All of these factors were taken into account by the Committee when developing the new Remuneration Policy. Our view is that the low annual bonus combined with Restricted Shares and higher than normal shareholding guidelines is a distinctive approach, strongly aligned to our strategy and to the interests of our shareholders and other stakeholders.

Replacing LTIP with Restricted Shares

The primary change proposed to our Remuneration Policy will be to replace the LTIP with Restricted Shares. These awards will vest after a period of three years, subject to review by the Committee of performance against one or more underpins before vesting and appropriate adjustments made. Following any such vesting, these awards will then be released after a further two-year holding period, in line with investor guidance and market practice.

For 2022 awards, there will be a quantitative financial underpin based on growth in adjusted NAV per share during the vesting period, and the Committee will also consider performance more widely during the vesting period. We believe that our underpin criteria is more stringent than that

applied in many similar schemes, in that there is a non-trivial possibility that full vesting will not occur for any given award as a result of portfolio volatility. Based on historic performance since 2003, around 25% of awards would not meet the underpin requirement to maintain 100% of the starting NAV.

The Committee strongly believes that this is the right approach to long-term reward at IP Group, for several reasons:

- We invest for the long term in transformational companies. Over the longer term, these companies carry the opportunity for exceptional returns, but there is the likelihood of short-term volatility. A focus on long-term share value using Restricted Shares, rather than current high upside medium targets under an LTIP, is more aligned to our business model and strategy.
- It enables the creation of significant long-term share equity ownership for our executive directors, supporting our intention to broadly replicate, over time, the “founder stakes” held by our previous CEO and CIO. It therefore supports a continuation of our culture and approach to long-term value creation.
- It is simple and understandable, for all of our stakeholders.
- Academic evidence indicates that simpler pay packages, with less reliance on short-term performance conditions, and requiring large shareholdings, have a positive impact on investment, innovation, long-term decision-making and long-term value creation.

Reduction to annual bonus opportunity

The maximum bonus opportunity under our current Remuneration Policy (100% of salary) is already one of the lowest across the UK-listed market. Nevertheless, reflecting our key objective to better align with long-term equity ownership and value creation, we propose to reduce the maximum bonus to 75% of salary.

Whilst half (50%) of this bonus will be earned based on NAV performance, 50% will be earned based on strategic business priorities linked to long-term value creation, which are likely to vary from year to year (and will include ESG-linked objectives).

Half of any bonus earned in excess of £25,000 will continue to be deferred into shares over a period of two years, in line with our current policy. Any bonus payments will be subject to stringent malus and clawback provisions in line with best practice.

Increase to Shareholding Guidelines

In further support of our objective to support the creation of significant long-term equity ownership, we also propose to increase the shareholding requirement from 200% to 350% for our CEO and from 150% to 250% for our CFO. We believe this is appropriate given the transition to Restricted Shares, and is aligned with shareholder interests, consistent with our focus on sustained shareholder value creation over the very long term.

We will also continue to enforce a market-leading post-cessation shareholding requirement, utilising our EBT structure as a protective mechanism to assist us in enforcing this.

Directors' Remuneration Report continued

Remuneration Statement

Market re-alignment of base salaries

Our approach on the appointment of our new CEO and CFOO in 2021 was to set salaries at market competitive levels with a move away from the low salary 'founder' pay model. Alan Aubrey, our longstanding former CEO, had a very significant 'founder' shareholding, and large shareholdings in key portfolio companies as a result of our historic (pre-IPO) approach to remuneration. This was a driving factor in our previous low salary pay model.

When considering this as part of the Remuneration Policy review and the appointment process in 2021, the Committee determined that this philosophy was no longer relevant or appropriate. Therefore, when determining salaries for the CEO and CFOO on appointment, we set salaries with reference to reasonable market levels for companies of similar size and complexity, rather than with reference to the previous incumbents.

The base salaries for the CEO and CFOO were therefore set on appointment at £525,000 and £360,000, respectively. These levels broadly align to the median of the lower half of the FTSE 250.

For reference, pension provision is 10% of salary and is aligned to the wider workforce.

The table below summarises, for ease of reference, the key changes from our current to our proposed Remuneration Policy and remuneration framework:

ELEMENT	INTENDED APPROACH (FROM 2022)	PREVIOUS APPROACH (FOR REFERENCE)
Salary	Market median benchmark. Reflects lower upside potential and talent market perspective	Lower quartile benchmark. Reflected overall package construction and "founder" status/shareholdings
Pension	10% - aligned to workforce	10% - aligned to workforce
Annual Bonus	Reduced to 75% of salary maximum 50% of any amount above £25,000 deferred into shares over 2 years Mix of financial/strategic targets	100% of salary maximum 50% of any amount above £25,000 deferred into shares over 2 years Mix of financial/strategic targets
Long-term award	Restricted Share Plan awards Maximum 200% of salary (CEO) Maximum 133% of salary (CFOO) (Underpin to include minimum Hard NAV per share) 3-year vesting + 2-year holding period	LTIP awards Maximum 300% of salary (CEO) Maximum 200% of salary (other EDs) Based on Hard NAV/TSR targets 3-year vesting + 2-year holding period
Shareholding guidelines	Increase in shareholding guideline to: <ul style="list-style-type: none"> 350% of salary (CEO) 250% of salary (CFOO) Post-cessation shareholder requirement (2-years) 	200% of salary (CEO) 150% of salary (other EDs) Post-cessation shareholder requirement (2-years)
Portfolio company share awards & carried interest	Direct portfolio company awards of shares or options continue to be prohibited (except for portfolio company shares already held by executive directors and grandfathered) No executive director participation in carried interest pools	Significant holdings in portfolio as a result of (pre-2011) founder equity scheme for outgoing CEO (no awards since 2011) Carried Interest (with effect from 2011) forms significant part of remuneration for employees below board level (excludes executive directors)

Executive Director Remuneration for 2022

For 2022, our Executive Director remuneration will be in line with the new Remuneration Policy, as set out in the table above. Further details include:

- Base salaries will remain unchanged from those set on appointment in 2021 (as described above) for both Greg Smith (£525,000) and David Baynes (£360,000).
- For the Annual Incentive Scheme ("AIS"), the Committee will reduce the proportion based on Return on NAV from 60% to 50%. This will allow a greater proportion of the bonus to be based on targeted strategic objectives, measured against clear, stretching targets. Objectives, targets and performance will be disclosed retrospectively in next year's report and will now include a specific element relating to performance versus appropriate and relevant ESG metrics.

- Restricted Share awards will vest over a three-year period beginning on 1 April 2022. At the end of the vesting period, vesting will be subject to review by the Committee against a financial underpin, based on adjusted NAV growth over the vesting period, or where the Committee otherwise considers there to have been a failure of performance. This will include, (but is not limited to), a serious breach of regulation, failure to sufficiently progress against ESG objectives and unacceptable relative Total Shareholder Return over the vesting period. If the Committee considers that any of the underpin criteria is not met, it would then consider whether it was appropriate to scale back the number of shares that vest (including to nil).

Executive Director succession

As explained previously, during 2021, Alan Aubrey retired as Chief Executive Officer after 16 years in the business, and Mike Townend also retired as Chief Investment Officer after 14 years in the business. Following the expiry of their notice periods, they have both entered into consulting agreements with the Group for an initial 12-month period from 7 April 2022. The Committee determined the remuneration arrangements for both Alan and Mike in line with the subsisting remuneration policy. No payments in lieu of notice were received. As “good leavers”, share awards have been retained in line with the rules of the Long-Term Incentive Plan, and will vest on the original timeline. The Committee has however, agreed with Alan and Mike that it was appropriate to voluntarily adjust the holdings to reflect their retirement, and so the 2020 LTIP awards have been retained in full and will vest on the original timelines and subject to performance conditions, with the 2021 LTIPs having been surrendered in full. The post-employment shareholding requirement will apply and be enforced via the EBT. See page 123 for further details.

Shareholder engagement

We remain committed to maintaining open and transparent remuneration principles and practices. Therefore, as part of this Remuneration Policy review, we have undertaken a comprehensive engagement with both shareholders and proxy advisory groups over the last few months. Before making these recommendations, we sought feedback and input from over 55% of our register and engaged directly with over 40% of the register. The majority of the shareholders we engaged with indicated their support for our proposals, including a number of our largest holders. They acknowledged the thoughtful and distinctive approach we had taken to best align our remuneration with the strategy and characteristics of our business. They welcomed the renewed focus on long-term stewardship and shareholder alignment, delivered via the introduction of Restricted Shares and the enhancement of the shareholding guidelines, as well as the reduction to the annual bonus opportunity.

As part of the finalisation of the proposals, the Committee reviewed the feedback received during this engagement process and updated the final proposals accordingly. We believe that the proposals are right for our distinctive business model, appropriate in the context of our strategy and in the best interests of our Company and shareholders. I would like to thank those shareholders for their engagement on this topic during recent months. We will continue to openly engage with our shareholder base on the issue of executive remuneration moving forward and recommend that shareholders vote in favour of the new policy.

Employee Engagement and Feedback

In February 2022, Aedhmar Hynes (our Designated NED) and I directly engaged with our employee forum ‘IP Connect’ on the subject of executive remuneration. Our aim in doing so was to ascertain whether our employees felt that our revised policy and approach, level of salary and overall remuneration available to our executive directors was well understood, and considered to be fair, equitable and reasonable in the context of the remuneration we offer elsewhere in the business.

We were pleased to find that the employees we consulted were generally supportive of the structural changes proposed, and excited about the impact of introducing similar changes elsewhere in the business. Further, the representatives were supportive of the level of remuneration offered to our executive directors, both in terms of base salary and total opportunity.

The members of IP Connect were particularly positive about the move from LTIP to Restricted Share Plan (“RSP”), having previously commented on the complexity and volatility of outcome inherent in our existing Long-Term Incentive Plan, both in terms of executive director remuneration and (as a result of the alignment in our approach across the business) the impact on our other senior managerial roles. They considered that the proposed RSP is significantly easier to understand, and the representatives agreed that using this structure across the business would be likely to increase alignment between employee, director and shareholder interests.

Overall, I was encouraged by the level of thoughtful feedback and constructive discussion and pleased that our employees, who are and will remain a key stakeholder group, are supportive of our proposed approach.

Structure of this Report

The following pages contain our proposed revised Remuneration Policy in full, a summary of how we intend to implement the policy during 2022 and detailed disclosure of outcomes in respect to 2021.

Our 2020 Remuneration Report received support from over 97% of the votes cast at our AGM in June 2021. We look forward to receiving your continued support this year.

On behalf of the Board

Heejae Chae

Chairman of the Remuneration Committee
15 March 2022

Directors' Remuneration Report continued

Remuneration Policy

This report sets out the Company's policy on the remuneration of its executive and non-executive directors (the "Policy"), which will become effective, for a period of up to three years, subject to approval by shareholders at our AGM on 14 June 2022.

As described in the Remuneration Statement, our Policy has been updated by the Committee with input from Deloitte LLP, to reflect the replacement of the Long-Term Incentive Plan ("LTIP") with awards of Restricted Shares, a reduction in annual bonus opportunity and an increase in the shareholding guidelines. This approach is better aligned to our long-term value creation philosophy. We have engaged widely with shareholders throughout the process to ensure our shareholders have been listened to and their thoughts have been taken into consideration.

In updating the policy, the Committee has continued to apply its principle of supporting the strategic objective of the Group to provide capital to early-stage companies, and to help management teams build world-changing businesses over the long term. A comprehensive review of our Remuneration Policy was undertaken, considering the fundamental structure and quantum of executive remuneration from first principles, rather than building incrementally on previous structures.

Remuneration Policy Table

The table below sets out the key components of the Policy for executive directors' remuneration.

Component	Purpose and link to strategy	How this component of remuneration operates	Maximum opportunity	Performance metrics
Salary	To provide an appropriate level of fixed cash income to attract and retain individuals with the personal attributes, skills and experience required to deliver the Group's strategy.	Generally reviewed annually with increases normally effective from 1 April. Base salaries will be set by the Committee taking into account a range of factors, including but not limited to: <ul style="list-style-type: none"> scale, scope and responsibility of the role; retention risk; salary levels across the Company; market data for similar roles in companies of comparable size and complexity; performance of the individual and IP Group; and impact of salary increases on total remuneration. 	There is no prescribed maximum annual salary. Annual salary increases for executive directors will not normally exceed the average increase awarded to other UK-based employees. Increases may be above this level in circumstances where the Committee considers it appropriate, for example if there is an increase in the scale, scope or responsibility of the role or to allow the base salary of recently appointed executives who are appointed on initially lower levels of base salary to move towards market norms as their experience and contribution increase.	Not applicable

Our overriding aim during the review process was to create a greater alignment between the management team and our shareholders, primarily through reinforcement of the culture and mindset of ownership across the leadership of the business. Further, we are seeking to align management incentive outcomes with the long term, asymmetric nature of our investments, whilst remaining sensitive to the requirements of our investors and other stakeholders alike. Overall, we hope to ensure our shareholders benefit from a well-motivated, high-quality management team both now and into the future.

To achieve these objectives the Committee continues to believe that the Group requires a remuneration structure that has incentive levers covering both the short term (one to three years) and the longer term (three to five years) and, for all employees other than the Group's executive directors, incentives directly aligned with those specific assets potentially over an even longer term (five to ten-plus years). The first two levers remain the most relevant for the Group's executive directors and therefore continue to be used as the variable elements of the Policy.

Changes to the remuneration policy

The key changes to the previous policy are:

- Reduction in the maximum level of annual bonus for executive directors to 75% of salary (from 100%)
- Replacement of the Long-Term Incentive Plan ("LTIP") with a Restricted Share Plan and awards of Restricted Shares
- Increase in shareholding guidelines to 350% from 200% of salary for the CEO and to 250% from 150% of salary for other executive directors

Component	Purpose and link to strategy	How this component of remuneration operates	Maximum opportunity	Performance metrics
Pension	To provide a competitive post-retirement benefit in a way that manages the overall cost to the Group in order to retain individuals with the personal attributes, skills and experience required to deliver the Group's strategy.	Contribution to Group Pension Plan (defined contribution scheme) or to personal pension plan of the relevant executive's choosing or an equivalent cash alternative.	The maximum pension is aligned to the rate available to the wider workforce (currently 10% of salary).	Not applicable
Benefits	To provide a competitive and appropriate benefits package to assist individuals in carrying out their duties effectively and to retain individuals with the personal attributes, skills and experience required to deliver the Group's strategy.	<p>Ongoing benefits typically comprise, but are not limited to, health and travel insurance, income protection and life assurance and may also comprise a car benefit (or cash equivalent). Executives are also provided with telecoms and computing equipment needed to perform their duties.</p> <p>Executive directors may also participate in any all-employee share plans that may be operated by the Group from time to time on the same terms as other employees.</p> <p>Additional benefits may be provided in certain circumstances if considered appropriate and reasonable by the Committee, such as when required on recruitment. This may include relocation or other expatriation benefits, allowances or other benefits. Executive directors may also choose to participate in group salary sacrifice arrangements as and when offered at their own discretion.</p>	<p>The cost of benefits provided changes in accordance with market conditions and will, therefore, determine the maximum amount that would be paid in the form of benefits under the Policy. There is, therefore, no overall maximum opportunity under this component of the Policy.</p> <p>Additional benefits, e.g. relocation, shall not ordinarily exceed 25% of base salary, other than in exceptional circumstances at the discretion of the Committee.</p> <p>Maximum awards under all-employee share plans would be subject to the prevailing statutory limit.</p>	Not applicable

Directors' Remuneration Report continued

Remuneration Policy

Component	Purpose and link to strategy	How this component of remuneration operates	Maximum opportunity	Performance metrics
Annual Incentive Scheme ("AIS")	<p>To provide a simple, competitive, performance-linked annual incentive mechanism that will:</p> <ul style="list-style-type: none"> attract, retain and motivate individuals with the required personal attributes, skills and experience; support our strategic objectives of long-term equity ownership and value creation; and align the interests of management and shareholders. 	<p>The AIS is reviewed annually prior to the start of each financial year to ensure the detailed performance measures and weightings are appropriate and continue to support the business strategy. Performance targets are set at or around the start of each financial year.</p> <p>Actual AIS amounts are determined via a two-stage process. Firstly, performance against the agreed metrics is assessed. Secondly, the Committee reviews these results in the context of underlying business performance and the Group's financial position and may adjust the stage one outcome at its discretion.</p> <p>Awards will typically be payable 50% in cash and 50% in IP Group shares granted under the IP Group plc Share Plan, over a minimum bonus amount which will be settled solely in cash. The Deferred Share award is made in the form of conditional awards of shares or nil-cost options (or equivalent at the Committee's discretion) and is subject to further time-based vesting over two years (50% after year 1 and 50% after year 2). The Committee has discretion to adjust the percentage split between cash and shares and will set the minimum bonus amount each year, below which awards will be settled solely in cash.</p> <p>Malus and clawback provisions apply (see page 121).</p>	<p>The maximum annual level of award is 75% of salary.</p>	<p>Specific targets and weightings may vary from year to year in accordance with strategic priorities but may include targets relating to:</p> <ul style="list-style-type: none"> hard net assets; financial performance; appropriate non-financial measures (including ESG); and attainment of personal objectives. <p>Performance measures for 2022 will be disclosed retrospectively, as set out on page 125. A higher weight will normally be given to Group financial performance, and bonus will also include strategic and sustainability targets.</p> <p>The AIS is a discretionary plan and the Committee retains the discretion to adjust any formulaic outcome to reflect overall business or individual performance or any other reason considered appropriate.</p>

Component	Purpose and link to strategy	How this component of remuneration operates	Maximum opportunity	Performance metrics
Restricted Shares	To provide market competitive long-term share awards which align the interests of management and shareholders.	<p>Awards of shares which will normally vest after a period of three years, subject to review by the Committee of performance over the vesting period against an underpin.</p> <p>Awards of Restricted Shares will be granted under the terms of the IP Group plc Share Plan and will typically comprise conditional awards of shares in IP Group (although instruments with similar economic effect may be used if considered appropriate).</p> <p>After vesting, shares are subject to a further two-year holding period.</p> <p>Malus and clawback provisions apply (see section below).</p>	The maximum award that may be made to the CEO in respect of any financial year of the Company is 200% of salary per annum, and the maximum award that may be made to any other executive director is 133% of salary per annum.	<p>Performance underpins may be based around the Group's key financial and/or strategic measures.</p> <p>The underpin for the awards to be made in 2022 are set out on page 126. The Committee may use different underpin criteria for future awards if the Committee deems this to be appropriate.</p> <p>If any of the underpin criteria is not met, the Committee would consider whether it was appropriate to scale back the number of shares that vest (including to nil).</p> <p>In addition to the underpin criteria, the Committee will also have general discretion to adjust vesting levels if it believes this will better reflect the underlying performance of the individual or the Company over the vesting period or where the outcome is not appropriate in the context of unforeseen or unexpected circumstances.</p>

Malus and Clawback Provisions

The Committee has discretion to exercise the following malus and clawback provisions in respect of the AIS and the RSP in certain circumstances. These circumstances include: serious misconduct by a participant; material misstatement of financial results; payments based on erroneous or misleading data; serious reputational damage; material failure of risk management; and material corporate failure.

In these circumstances, the Committee may:

- claw back the value of any cash amount paid or Deferred Share award vested and/or cancel the vesting of any Deferred Share award, for a period of up to three years following the date of the relevant award or payment.
- reduce the number of shares in respect of an unvested Restricted Share award and/or claw back any shares which have vested for a period of up to five years following the date of award.

Loss of office and minor Policy amendments

The Committee reserves the right to make any remuneration payments and payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the policy set out above where the terms of the payment were agreed (i) before 28 May 2019 (the date the previous shareholder-approved directors' remuneration policy came into effect); (ii) before this Policy came into effect, provided that the terms of the payment were consistent with the shareholder-approved directors' remuneration policy in force at the time they were agreed; or at a time when the relevant individual was not a director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a director of the Company. For these purposes 'payments' includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are 'agreed' at the time the award is granted.

The Committee reserves the right to make minor amendments to the Policy, for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation, without seeking shareholder approval.

Share and incentive plan discretions

The Committee will operate the Restricted Shares and Deferred Share awards in accordance with the rules of the IP Group plc Share Plan, this Policy and the Listing Rules where relevant. Awards may:

- have any performance conditions and/or underpins applicable to them amended or substituted by the Committee if the Committee considers that an amended or substituted performance condition or underpin is reasonable, appropriate and not materially less difficult to satisfy than when it was originally set;

Directors' Remuneration Report continued

Remuneration Policy

- incorporate the right to receive an amount (in additional shares) equal to the value of dividends which would have been paid on the shares under an award that vest, up to the time of release. This amount may be calculated assuming that the dividends have been reinvested in the Company's shares on a cumulative basis; and
- be adjusted in the event of any variation of the Company's share capital or any demerger, delisting, special dividend or other event that may affect the value of the Company's shares.

Approach to recruitment remuneration

The Committee will apply the Policy for any new executive director recruited to the Board in respect of all elements of forward-looking remuneration. The maximum level of variable remuneration will be within the usual maxima as set out in the Policy table (i.e. 75% of salary under the AIS and 200% or 133% of salary as determined by their position under the Restricted Shares).

The Committee retains flexibility to provide benefits in kind, pensions and other allowances, such as relocation, education and tax equalisation, required in order to recruit the intended candidate.

The Committee may make awards on hiring an external candidate to buy out remuneration arrangements forfeited on leaving a previous employer. In doing so, the Committee will seek to structure buyout awards on a comparable basis to awards forfeited, taking into account relevant factors including any performance conditions attached to these awards, the form in which they were granted (e.g. cash or shares) and the time frame of awards. It is intended that the value awarded would be no higher than, in the Committee's opinion, the expected value of the forfeited awards.

Similarly, the policy for a new chairman or new non-executive director would be to apply the same remuneration elements as apply to existing non-executive directors under the Policy, as set out in the section below.

In addition to the above principles, the following additional considerations may be applied as appropriate depending on the circumstances:

- Phasing of salary levels for new appointments over time.
- In the case of internal promotion, any existing elements arising from an individual's previous role will continue to be honoured under the policy, even if they may not otherwise be consistent with the policy prevailing when the commitment is fulfilled. This would include, if applicable, the retention of any interests under a Long-Term Incentive Carry Scheme awarded prior to becoming an executive director. However, no new allocations would be made.
- In the case of promotion to executive director following an acquisition or other business combination, the Committee may permit equity-based incentive arrangements to continue in force if they can be "rolled-up" into awards over IP Group shares, provided the performance and vesting conditions are considered appropriate.
- In the case of the recruitment of an executive at a time of the year when it would be inappropriate or not possible to provide a Restricted Share award for that year (for instance, due to price sensitive information), the quantum in respect of the months employed during the year may be transferred to and amalgamated with the subsequent year's award, if considered reasonable to do so by the Committee.

Loss of office payments policy

Executive directors have service contracts that contain a contractual notice period of six months by either party. Executive directors' service contracts do not contain any predetermined provisions for compensation in the event of early termination. When determining termination payments, the Committee takes into account a variety of factors, including individual and Company performance, mitigation of loss (for example, through new employment) and the relevant director's length of service.

In the event that a contract is to be terminated, any payment in lieu of notice will be based on what would have been earned by way of salary over the notice period. Such payments to the executive director may be staged over the notice period, with appropriate consideration of mitigation.

All awards under the Group's AIS are discretionary. Should an executive director leave (or be under notice) during the financial year, no AIS award in respect of that year would typically be receivable. However, if the individual is a good leaver, they may remain eligible for an AIS award, subject to time pro-rating for the proportion of the year served and assessment of performance undertaken at the normal time following year end. If the individual is a good leaver on or after the end of the financial year, they will usually remain eligible for an AIS award, unless the Committee decides otherwise.

On cessation of employment, the treatment of share awards would be in accordance with the IP Group plc Share Plan rules.

Unvested Deferred Share awards will normally lapse, unless the individual is a good leaver in which case they will remain entitled to awards which will normally vest according to the original timescale.

Unvested Restricted Share awards would normally lapse. Where the individual is a good leaver, awards will vest, normally reduced on a pro-rata basis to take into account the length of the vesting period which has elapsed and the Committee's assessment of the underpin. Vesting and release would normally occur according to the original timescale, including any applicable holding period. Post-cessation shareholding requirements would apply as described below.

For the purposes of the provisions above, a "good leaver" includes those individuals leaving due to death, disability, injury, ill health, transfer of the employing entity outside of the Group or any other reason at the Committee's discretion.

Malus/clawback provisions would continue to apply as described in the section above.

The Committee reserves the right to make any other payments in connection with a director's cessation of office or employment where the payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of a compromise or settlement of any claim arising in connection with the cessation of a director's office or employment. Any such payments may include but are not limited to paying any fees for outplacement assistance and/or the director's legal or professional advice fees in connection with his cessation of office or employment.

Non-executive directors have letters of appointment that are terminable on three months' notice by either party.

Change of Control

In the event of a change of control, Restricted Share awards would vest to the extent determined by the Committee, and normally reduced on a pro-rata basis to take into account

the length of the vesting period which has elapsed and the Committee's assessment of the underpin. The Committee may allow directors to exchange their awards over Company shares for awards in shares of the acquiring company, provided that the terms of the offer allow this.

Any Deferred Share awards will vest in full upon a change of control.

Shareholding Policy

Executive directors are subject to a shareholding requirements policy, under which they are expected to build up and maintain a minimum shareholding of 350% of salary for the Chief Executive Officer, and 250% of salary for all other executive directors. Departing executive directors will normally be required to retain shares following the date of cessation of their employment under the Group's post-cessation shareholding guidelines. This policy came into effect on 1 January 2019 and applies to any shares vesting from Company incentive plans following this date. The policy operates as follows:

- The post-cessation shareholding shall be 100% of the shareholding guideline that applied at the date of cessation, or, if lower, the actual holding excluding personal investment.
- The holding determined at the date of leaving shall apply for a period of 24 months, on a tapered straight-line basis, reducing to nil over this period.
- Shares that are no longer subject to performance conditions, such as Deferred Share awards or vested Restricted Share awards in the holding period, shall count towards the guidelines (on a net of assumed tax basis).
- The Committee shall have the discretion to operate the policy flexibly and may waive part or all of the requirement, for example in compassionate circumstances.

Provisions are in place to support the enforcement of this policy using the Company's EBT.

Chair and Non-executive Director remuneration

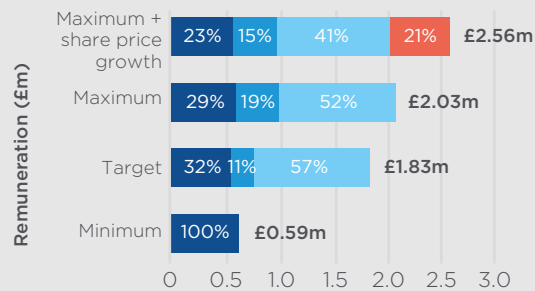
The Committee sets the remuneration of the Chair.

A Committee of the Board comprising the Chair and the executive directors sets the remuneration of the non-executive directors. Fees may comprise a base fee, with additional fees payable for other duties such as chair of a committee or for being the senior independent director or the Designated Non-executive Director for workforce engagement. Each non-executive director is also entitled to reimbursement of necessary travel, overnight accommodation (if applicable) and other expenses, including a tax gross-up where applicable. Non-executive directors do not participate in any of the Group's variable incentive schemes and are not eligible to join the Group's pension schemes.

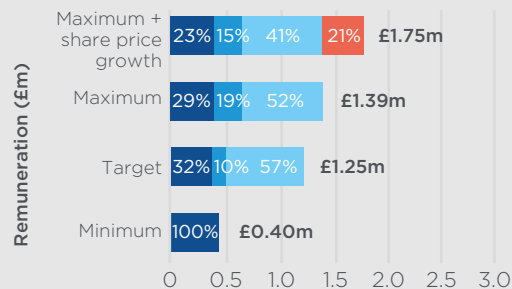
Illustration of the application of the policy

Illustrative values and composition of the executive directors' remuneration packages for the year ending 31 December 2022 under a range of scenarios are set out in the charts below.

Chief Executive Officer



Chief Financial Officer



- Fixed remuneration
- Annual variable remuneration
- Long-term variable remuneration

Directors' Remuneration Report continued

Remuneration Policy

The basis of calculation for the previous graphs and key assumptions used are as follows:

	Minimum	Target	Maximum	Maximum with 50% share price growth
Fixed elements of remuneration	Contracted base salary with effect from 1 April 2022			
	Estimated cash cost to the Company of benefits and pension contributions received under the remuneration policy			
AIS (pay-out as percentage of maximum opportunity)	0%	50%	100%	100%
RSP (vesting as percentage of maximum opportunity)	0%	100%	100%	100% plus 50% share price growth

Development of remuneration policy

Consideration of pay and conditions for the wider Group: The components of pay across the Group's UK staff are broadly similar although a significant component of long-term incentive for senior employees, particularly those in the investment teams, other than the executive directors, is in the form of the Group's Long-Term Incentive Carry Scheme ("LTICS") or similar historical arrangements. The Committee considers general pay and employment conditions of all employees within the Group and is sensitive to these, to prevailing market and economic conditions and to governance trends when assessing the level of salaries and remuneration packages of executive directors. From a practical perspective, the Group only has around 100 members of staff and, as a result, the Committee currently has the ability to review remuneration levels and changes thereto across the Group as a whole when considering base salary increases, bonus maxima and award pay-outs for the executive directors. The Committee has been involved in key decisions around remuneration concerning all employees.

Engagement with our shareholders: The Committee is committed to an ongoing dialogue with shareholders and seeks to consult with its significant shareholders and the various proxy advisory groups when considering any major changes to remuneration arrangements. Feedback as part of any consultation is used to guide the Committee in its finalisation of the remuneration arrangements and their implementation. Given the extensive changes to this Remuneration Policy, the Committee consulted widely with shareholders to obtain feedback before finalising our proposals. Further details of our consultation process are set out on page 117. We always welcome an active dialogue with key shareholders on all governance matters, including remuneration.

Differences between the policy and that applied to employees more generally

The components of remuneration set out in the Policy table for executive directors are also available to the Group's employees and, other than as set out below, differ only in award maxima. The benefits package is typically available to all UK members of staff following completion of a probationary period, with a broadly equivalent package being offered to overseas staff. All permanent UK staff with over three months service at 31 December are eligible for an award under the AIS in that year (with pro-rated awards to exclude the first three months of service), with similar arrangements for overseas staff.

The key differences between the Policy and that applied to employees generally are:

1. awards under the RSP are only made to a limited number of the Group's more senior employees; and
2. that a Long-Term Incentive Carry Scheme currently operates, in common with many of our comparator companies, for employees, excluding executive directors, whose roles include a significant direct impact on the development of underlying portfolio companies. The objective of the LTICS is to give employees the equivalent of a 'founder's stake' in the portfolio companies that they help to find, create and build, by offering them the opportunity to participate in the eventual returns from the Group's portfolio that are in excess of the original capital invested by the Group and after taking account of an annualised hurdle return. We believe that this will align our employees directly with the long-term returns achieved on the specific assets. No allocations of this kind will be made to executive or non-executive directors.

Annual Remuneration Report

Statement of implementation of remuneration policy in the following financial year

The Group targets a remuneration package for its executive directors that will enable the attraction, retention and incentivisation of individuals of the highest calibre in order to successfully deliver the Group's strategic objectives.

As set out in the previous section, from 2022 we are targeting an approach which combines market aligned base salaries with short and long-term incentives that drive sustainable shareholder value creation by fostering an ownership mindset. This approach has been built from first principles in order to directly align the interests of our management team with shareholders and other stakeholders, and in 2022 will be implemented as set out below.

Salary

With effect from 1 April 2022, the base salaries of the executive directors will be:

	2022/23 base salary	2021/22 base salary ¹	Increase %
Greg Smith (CEO)	£525,000	£525,000	0%
David Baynes (CFOO)	£360,000	£360,000	0%

¹ 2021/22 salary with effect from appointment into current role on 7 October 2021. Details of previous salary and total earnings for 2021 are set out in the Single Figure for Total Remuneration, below.

As explained on page 116, our approach on the appointment of Greg Smith and David Baynes to their new roles in October 2021 was to set salaries at market competitive levels with a move away from the low salary 'founder' pay model (which applied to previous incumbents with very significant 'founder' shareholdings, including in key portfolio companies as a result of our historic (pre-IPO) approach to remuneration). The Committee determined that this philosophy was no longer relevant or appropriate and set salaries on appointment with respect to reasonable market levels for companies of similar size and complexity (i.e. broadly aligning to the median of the lower half of the FTSE 250). No further increases to base salary are planned for 2022/23, and we expect any increases in subsequent years to be at or below the overall increase in base salary for our global employees.

For reference, in 2022 the average for the wider employee population is expected to be around 8%. This increase reflects the anticipated impact of both global inflation and talent market pressures, and again reflects the importance of our team in the delivery of shareholder value.

Pension and benefits

Pension and benefits will continue to be in line with the levels stated in the policy table. Pension levels for all executive directors are in line with those for the wider workforce, at up to 10% of salary.

AIS

The maximum Annual Incentive Scheme ("AIS") opportunity will reduce to 75% of base salary for all executive directors, in line with the proposed policy.

Half of the 2022 AIS will be based on the Group's NAV performance, which in the view of the Committee represents the most appropriate leading indicator of underlying business performance. The other half of the AIS will be based on a number of key strategic objectives, which align top current commercial priorities, and for which stretching objectives and targets will be set.

In recognition of the importance of ESG and sustainable stewardship to the long-term success of our business, at least one of the strategic objectives for bonus will be based on ESG performance. In 2020 and 2021 we have used our employee engagement and culture metric to determine bonus outcomes in this area, and it is anticipated that this approach will continue for 2022.

For 2022, the AIS outcomes will therefore be determined based on the following mix of targets:

- 50% on annual return achieved on the Group's NAV;
- 37.5% on performance against key commercial objectives; and
- 12.5% employee engagement and culture, an ESG-aligned metric, aligned with feedback from key stakeholders in ESG materiality assessment carried out in 2020.

These measures are considered appropriate leading indicators of underlying business performance, including one that explicitly takes into account the engagement of our most valuable asset, our people. This latter objective will continue to be measured using our non-financial KPI (see page 28), with the calibration of any calculated outcome then led by the Group's Designated NED, Aedhmar Hynes, who in this regard has Board responsibility for bringing the voice of our employees into the Boardroom.

As in prior years, the Committee has determined the performance metrics that are required to be achieved. In terms of the Return on NAV target, as before, the Committee has taken into consideration the blend of assets that constitute the Group NAV, including the level of cash. Reflecting our commitment to transparency, we are again disclosing this AIS target on a prospective basis.

For 2022 the Committee has determined that threshold vesting of 25% of this element of the award will be available provided a minimum return of 5% is achieved while the maximum amount of this element will be available should a return of 15% or greater be achieved. In absolute terms, this requires the achievement of a return on NAV in excess of £89m before any of the AIS component relating to return on NAV may be awarded and a return in excess of £266m in order for this component to be awarded in full. The targets relating to the other measures outlined above, as well as the performance against these targets, will be disclosed in the 2022 Directors' Remuneration Report. Overall, the targets are considered by the Committee to be appropriately stretching, especially in light of the current economic climate and 2021 performance out-turns.

In line with the Remuneration Policy, the Committee may adjust any 2022 outcome to take into account overall business or individual performance or any other factors it considers appropriate.

Annual Remuneration Report continued

Restricted Share Plan

As outlined above, from 2022 the Committee intends to make Restricted Share Plan ("RSP") awards to executive directors at 200% of base salary for the CEO and 133% of base salary for the CFOO.

Vesting of these awards will take place over a three-year period commencing on 1 April 2022. Vesting will be subject to review by the Committee at the end of the vesting period of performance as against a financial underpin based on adjusted NAV growth over the vesting period. For 2022 awards, the financial underpin has been set such that adjusted NAV per share on the vesting date must be no lower than 100% of NAV per share on the award date, after making appropriate adjustments for dividends, buy-backs and any other distributions. With the express agreement of the Audit and Risk Committee, the Remuneration Committee may also consider using proforma NAV per share in this assessment, should this be a more accurate measure of value creation during the vesting period. The Committee will also monitor qualitative performance to ensure that executive directors are not rewarded where the Committee considers there to have been a failure of performance. This will include (but is not limited to), a serious breach of regulation, failure to sufficiently progress against ESG objectives and unacceptable relative Total Shareholder Return over the vesting period. If the Committee considers that any of the underpin criteria is not met, it would then consider whether it was appropriate to scale back the number of shares that vest (including to nil).

Chairman and non-executive directors

The fee for the Group's chairman will increase by approximately 5% to £191,000. The fees for the non-executive directors will be similarly increased by approximately 5% to £49,000. These increases are below the average increase for the employee population.

Additional fees for committee chairs, Designated NED and for being senior independent director shall remain at £10,000.

Single figure for total remuneration (audited)

The following table sets out the single figure for total remuneration for directors for the financial years ended 31 December 2021 and 2020.

	Base salary/fees ¹		Fees recovered from Base Salary		Benefits ²		Pension ³		Total fixed		Annual bonus ("AIS") ⁴		LTIP		Total Variable		Total		
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	
All £000s	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	
Executive directors																			
Alan Aubrey ^{5,6}	335	430	(48)	(82)	7	9	29	37	323	394	325	403	-	-	325	403	648	797	
Mike Townend ⁷	222	285	-	-	6	6	19	25	247	316	214	267	-	-	215	267	461	583	
Greg Smith ⁸	354	293	-	-	3	3	31	27	388	323	342	277	-	-	342	277	730	600	
David Baynes ^{9,10}	307	285	-	-	17	17	27	27	350	329	297	267	-	-	297	267	647	596	
Non-executive directors																			
Douglas Flint	181	178	-	-	-	-	-	-	181	178	-	-	-	-	-	-	181	178	
Elaine Sullivan	46	45	-	-	-	1	-	-	46	46	-	-	-	-	-	-	46	46	
David Begg ¹¹	25	55	-	-	-	-	-	-	25	55	-	-	-	-	-	-	25	55	
Caroline Brown	56	55	-	-	-	-	-	-	56	55	-	-	-	-	-	-	56	55	
Aedhmar Hynes ¹²	57	55	-	-	12	4	-	-	69	59	-	-	-	-	-	-	69	59	
Heejae Chae	56	55	-	-	-	-	-	-	56	55	-	-	-	-	-	-	56	55	

NOTES

- Base salary/fees represent each director's contractual entitlement during the calendar year in question, noting that the Group's salary year runs from 1 April to 31 March.
- Pension includes payments made to defined contribution schemes on behalf of the directors or the value of a cash equivalent, if applicable. The pension available to the executive directors is aligned to that available for the employee population.
- Commuting costs for non-executive directors are reimbursed and are subject to PAYE, and a consumable expenses payment of £26 (net) per month is paid to all employees, executive and non-executive directors to cover the additional costs of homeworking.
- AIS executive bonus outturn was 96.3% of the maximum for 2021. Consistent with the Remuneration Policy, the first £25,000 will be paid in cash and thereafter 50% will be paid in cash and 50% deferred into shares over two years.
- Alan Aubrey stepped down as a director on 6 October 2021, reported numbers cover the period up to and including this date only.
- Alan Aubrey's contractual base salary was £441,000 from 1 April 2021. In addition, Mr Aubrey retained board fees in 2021 totalling £47,739 from Oxford Nanopore Technologies, a portfolio company in which the Group is a shareholder, and these fees were deducted from the base salary he is contractually entitled to receive from the Company. The total amount received by Mr Aubrey from his salary and retention of portfolio board fees was aligned with his contractual base salary.
- Mike Townend stepped down as a director on 6 October 2021, reported numbers cover the period up to and including this date only.
- Greg Smith was appointed as CEO on 7 October 2021, with a basic salary of £525,000. Prior to this date Mr Smith served as CFO, with a contractual base salary of £303,000 from 1 April 2021.
- David Baynes was appointed as CFOO on 7 October 2021, with a basic salary of £360,000. Prior to this date Mr Baynes served as COO, with a contractual base salary of £292,000 from 1 April 2021.
- David Baynes receives an annual car allowance or equivalent thereof of £12,000.
- David Begg stepped down from the Board on 9 June 2021.
- Aedhmar Hynes was appointed as Senior Independent Director on 9 June 2021.

Additional disclosures for single figure for total remuneration table

Annual Incentive Scheme

The targets for the 2021 Annual Incentive Scheme for executive directors were predominantly based on the annual return on Hard NAV, alongside three further leading indicators of underlying business performance. The targets applied for 2021 and the outturn against these are set out below:

Performance condition (% weighting)	Vesting criteria	Actual performance (% OF COMPONENT)
Return on Hard NAV (60%)	5% return (£67m): 25% of maximum opportunity ("threshold") 15% return (£201m): 100% of maximum opportunity	£452.2m return 100% of component
Cash realisations from the portfolio (10%)	£nil to £75m (sliding scale) excluding any contribution from Oxford Nanopore Technology	£129.2m 100% of component
New pipeline development (10%)	Under 4 or over 12: nil 4-5 new investments: 50% of maximum opportunity 6-10 new investments: 100% of maximum opportunity	6 new portfolio investments 100% of component
Co-investment capital (10%)	Access to new co-investment capital of £20m (25% of maximum opportunity) to £100m: 100% of maximum opportunity	Access to £77m new capital 78% of component
Employee engagement & culture (10%)	Demonstrable improvement in employee engagement, based on both objective and subjective measurements in a sliding scale based on the non-financial KPI outturn	85% score on non-financial KPI (see page 28 for details) 85% of component awarded
Total weighted outturn		96.3% of maximum

The Committee discussed the output of the quantitative targets and considered that this outturn appropriately reflected the broader overall performance of the business for the year. In particular, the Committee noted record absolute return on Hard NAV performance, continued exceptional cash realisations (even excluding the impact of ONT) and a significant recovery in share price over the period. It is also noteworthy that this performance was delivered against a backdrop of exceptional performance in 2020, and in a year including the navigation of significant one-off events, such as management succession and the IPO of Oxford Nanopore Technology. As such, the Committee determined that no discretionary adjustment to the calculated outcome was warranted.

The resulting AIS outturn for 2021 for the Executive Directors was therefore determined as 96.3% of maximum opportunity. In accordance with the Group's Remuneration Policy, all amounts to individuals above an initial minimum amount paid in cash, which for the 2021 AIS is £25,000, will be paid 50% in cash and 50% in shares (deferred over two years using the Group's Deferred Bonus Share Plan "DBSP").

Annual Remuneration Report continued

Long-term incentive scheme

2019 LTIP awards due to vest in March 2022

The 2019 LTIP awards are based on the performance of the Group's Hard NAV (the Group's net assets excluding intangibles) for the three financial years ending on 31 December 2021 and Total Shareholder Return ("TSR") from March 2019 to the ordinary vesting date, being 31 March 2022, using a one-month average. Both performance measures are combined into a matrix format as per the vesting table below. 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%.

Vesting matrix: estimated 2019 LTIP outturn

TSR (p.a.)	15%	60%	75%	90%	97.0%	100%
	10%	30%	45%	60%	81.1%	90%
	8%	15%	30%	45%	66.1%	75%
	<8%	0%	15%	30%	51.4%	60%
	<8%	8%	10%	13.3%	15%	
Growth in NAV (p.a.)						

Performance condition	Target Performance	Actual/forecast Performance
Hard NAV (at 31 Dec 2021)	8%: £1.52bn 15%: £1.84bn	£1.77bn (+13.3% p.a.)
Annual TSR ¹ (share price)	8%: 119.6p 15%: 144.4p	95p (-5.1% p.a. growth)
Comparative TSR	FTSE 250 +7.1%	IP Group -14.6%

¹ TSR performance shown reflects the Group's one-month average share price to 8 March 2021. Actual performance period is the one-month average to 31 March 2021.

The actual performance of the Group in terms of Hard NAV growth to 31 December 2021 was above the minimum threshold and below the maximum threshold. The one-month average share price to 8 March 2021, would mean performance below the lower TSR target and that of the FTSE 250 TSR performance. On this basis, the 2019 LTIP award is expected to vest at 51.1% of maximum, as set out in the table above. Vested shares will be subject to a further two-year holding period.

2018 LTIP awards that vested in March 2021

As reported last year, the Hard NAV growth target was not met. TSR measured over the three-year period to 31 March 2020 was negative and therefore the TSR condition was not met. Consequently, it can be confirmed that none of the 2018 LTIP awards vested. The amounts in the single-figure remuneration table reflect this.

2021 LTIP awards

The 2021 LTIP awards were granted with a face value of 300% of salary for the CEO and 200% of salary for other Executive Directors, based on the share price at date of grant and vesting subject to performance.

The performance conditions that apply to this award follows the same matrix structure with the same vesting parameters as that set out above for the previous awards. Hard NAV growth will be measured over the three-year period to 31 December 2023 (starting point: £1,331.5m at 31 December 2020). TSR shall be measured from 6 May 2021 to 31 March 2024 with a one-month average starting point of 127.9p (being the 30-day average to 5 May 2021).

The award is subject to an underpin whereby vesting may be reduced by the Committee by up to 50%, taking into account a range of performance factors including relative TSR against the FTSE 250.

Executive director	Type of interest	Basis of award (% salary)	Face value ¹ (000s)	Threshold vesting ²	End of performance period
Alan Aubrey ³	2021 LTIP	300%	£1,323	25%	31 Dec 2023 (NAV)/31 Mar 2024 (TSR)
Mike Townend ⁴	2021 LTIP	200%	£584	25%	31 Dec 2023 (NAV)/31 Mar 2024 (TSR)
Greg Smith	2021 LTIP	200%	£606	25%	31 Dec 2023 (NAV)/31 Mar 2024 (TSR)
David Baynes	2021 LTIP	200%	£584	25%	31 Dec 2023 (NAV)/31 Mar 2024 (TSR)

¹ The number of shares corresponding to the face value is calculated using the share price of 125.40p for all executive directors.

² Represents threshold vesting against both elements of the performance matrix. Lower vesting is possible if only one element of the matrix is partially met or as a result of the application of the performance underpin.

³ 2021 award subsequently voluntarily surrendered, as set out below.

⁴ 2021 award subsequently voluntarily surrendered, as set out below.

Loss of office payments or payments to former directors (audited information)

Alan Aubrey and Mike Townend stepped down from the Board with effect from 6 October 2021. As previously disclosed, they will both remain in employment until 6 April 2022. Following that, they have both entered into consulting agreements with the Group for an initial 12-month period from 7 April 2022.

The Committee determined the following remuneration arrangements, in accordance with the terms of their respective service contracts, the Remuneration Policy, and the rules of the relevant share plans. These arrangements, for both Alan Aubrey and Mike Townend were that they would:

- Continue to receive salary and benefits (including pension contribution) on a monthly basis until retirement from the company on 6 April 2022.
- Not receive any payment in lieu of notice, or any other payment in respect of loss of office.
- Remain eligible to receive the full 2021 AIS, as disclosed elsewhere in this report. In line with the Remuneration Policy, half of any amount payable over £25,000 will be deferred into nil-cost options under the DBSP for up to 2-years. DBSP awards made in 2021 and 2020 (as well as any grant made in 2022) will subsist and will be available for exercise in full on the original vesting date in each case. The LTIP award made in 2019 will subsist and remain eligible for vesting on 31 March 2022, at the vesting level described on page 128.
- Waive any right to an AIS payment in respect of the 2022 Financial Year.
- Following retirement, remain as directors of IP2IPO Services Limited (Alan Aubrey) and Top Technology Ventures Limited (Mike Townend), each for at least a period of 12 months. Under the rules of the LTIP, this entitles them to retain LTIP awards made in 2020 and 2021 in full. However, both Mr Aubrey and Mr Townend agreed with the Committee that it would be appropriate to voluntarily adjust these holdings to reflect their retirement. As a result, Mr Aubrey and Mr Townend have both voluntarily surrendered all of the conditional share awards granted in 2021. The 2020 LTIP award will be retained in full and vest in line with the relevant performance conditions. Overall, this treatment will result in the 2020 and 2021 awards, in aggregate, being pro-rated for the period of full employment. Any vested LTIP awards will continue to be subject to a 2-year holding period after vesting, in accordance with the Remuneration Policy.

In accordance with the Remuneration Policy, Mr Aubrey and Mr Townend will be required to maintain a minimum IP Group shareholding of 174,268 shares and 105,983 shares respectively, immediately upon retirement as employees on 6 April 2022. These amounts will taper to zero on a straight-line basis over the following two years. In accordance with the Group's post-cessation shareholding policy and framework agreed, vested LTIP shares within the holding period and unvested DBSP awards will count towards the required shareholding. Any shares issued upon the exercise of any of the 2020 and 2021 DBSP Awards within 24 months of their retirement may be issued to and held in the Employee Benefit Trust to ensure that the post cessation shareholding requirement is satisfied.

Change in remuneration of the directors compared to Group employees

The table below sets out the change in the remuneration of the CEO and that of our UK employees (excluding directors and new joiners/leavers):

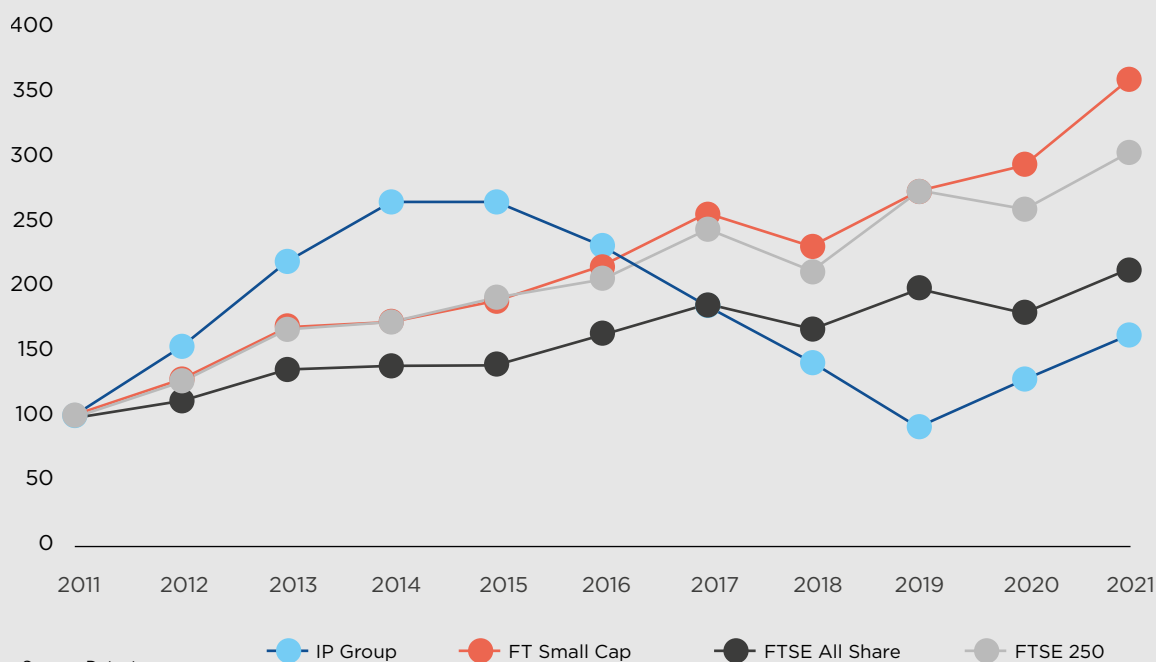
	% Change in base salary		% Change in bonus		% Change in benefits (excluding pensions)	
	2020 to 2021	2019 to 2020	2020 to 2021	2019 to 2020	2020 to 2021	2019 to 2020
Alan Aubrey	-22.1%	2.1%	-18.9%	241.1%	-22.7%	8.0%
Mike Townend	-22.1%	2.0%	-19.5%	241.0%	-26.9%	11.1%
Greg Smith	20.8%	5.9%	23.5%	254.1%	4.2%	5.1%
David Baynes	7.7%	2.0%	11.2%	241.0%	17.6%	5.2%
Douglas Flint	2.0%	2.2%	-	-	-	-
Elaine Sullivan	2.2%	1.8%	-	-	-	-
Caroline Brown	1.8%	1.8%	-	-	-	-
Aedhmar Hynes	19.8%	1.8%	-	-	-	-
Heejae Chae	1.8%	1.8%	-	-	-	-
UK employees	5.9%	8.0%	59.3%	78.7%	7.9%	4.7%

Annual Remuneration Report continued

Historical executive pay and Group performance

The table and graph below allow comparison of the Total Shareholder Return ("TSR") of the Group and the Chief Executive Officer remuneration outcomes over the last ten years.

The chart below shows the Group's TSR performance against the performance of the FTSE All Share, FTSE Small Cap and FTSE 250 indices over the ten-year period to 31 December 2020. The directors have selected these indices as, in their opinion, these indices comprise the most relevant equity indices of which the Company was a member during a significant proportion of the period in question and against which total shareholder return of IP Group plc should be measured.



Historical Chief Executive Officer remuneration outcomes

The table below summarises the Chief Executive Officer single figure for total remuneration, annual bonus pay-out and LTIP vesting as a percentage of maximum opportunity for the current year and previous nine years.

Chief Executive Officer	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021 ¹
CEO single figure of remuneration (£000s)	209	3,257	2,231	902	669	265	552	413	498	797	730
Annual bonus pay-out (% of maximum)	n/a	n/a	100%	0%	100%	0%	57%	17%	28%	93%	96.3%
LTIP vesting (% of maximum) ²	n/a	81%	100%	100%	57%	0%	0%	0%	0%	0%	0%

¹ 2021 numbers are for Greg Smith, who was appointed as CEO on 7 October 2021 (previously CFO). Previous years relate to Alan Aubrey.

² LTIP vesting is based on the current expectations of the performance against the 2018 LTIP targets as discussed on page 128.

Directors' shareholdings and share interests (audited information)

The Group's Remuneration Policy contains minimum shareholding requirements for each of the executive directors (350% of salary for the Chief Executive Officer, and 250% of salary for other executive directors).

At the end of the year, neither Greg Smith nor David Baynes met this requirement. Both Executive Directors are ordinarily, at a minimum, expected to retain all post-tax shares received under the DBSP or LTIP to ensure that minimum levels are met and maintained, in line with the Policy.

Under the Remuneration Policy, departing executive directors will normally be required to retain shares following the date of cessation of their employment under the Group's post-cessation shareholding guidelines. The policy was used to determine the number of shares to be held by Alan Aubrey and Mike Townend following their retirement in April 2022, as set out in the Loss of Office section on page 121.

Interests in shares

The directors who held office during 2021 had the following beneficial interests in the ordinary shares of the Company:

As at 31 December 2021	Total interest in shares		Minimum Shareholding requirement met?	Aggregate unvested holdings (gross)	
	Shares owned Number	Total Interest		LTIP	DBSP
Current directors					
Alan Aubrey ²	2,864,082	2,864,082	y	3,216,891	188,670
Mike Townend ³	1,252,032	1,252,032	y	1,427,820	118,111
Greg Smith	364,467	364,467	n	1,944,216	122,203
David Baynes	320,127	320,127	n	1,893,429	118,111
Elaine Sullivan	-	-	-	-	-
Sir Douglas Flint	18,500	18,500	-	-	-
Heejae Chae	32,073	32,073	-	-	-
Caroline Brown	-	-	-	-	-
Aedhmar Hynes	21,000	21,000	-	-	-

¹ Based on owned/vested shares only.

² Stepped down as a director on 6 October 2021, will leave employment on 6 April 2022.

³ Stepped down as a director on 6 October 2021, will leave employment on 6 April 2022.

There have been no changes in the interests of the directors set out above between 31 December 2021 and 15 March 2022.

Former Directors at date of leaving

David Begg (retired 9 June 2021)	50,391	50,391	-	-	-
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Annual Remuneration Report continued

Long-Term Incentive Plan

Directors' participations in the Group's LTIP are:

	Number of shares conditionally held at 1 January 2021	Conditional shares notionally awarded in the year	Vested during the year	Lapsed during the year	Potential conditional interest in shares at 31 December 2021	Share price at date of conditional award (p)	Earliest vesting date(s)
Alan Aubrey							
2018 LTIP	894,397	-	-	(894,397)	-	139.20	31-Mar-21
2019 LTIP	1,282,038	-	-	-	1,282,038	99.10	31-Mar-22
2020 LTIP	1,934,853	-	-	-	1,934,853	61.40	31-Mar-23
2021 LTIP	-	1,055,023	-	(1,055,023)	-	125.40	31-Mar-24
	4,111,288	1,055,023	-	(1,949,420)	3,216,891		
Mike Townend							
2018 LTIP	395,115	-	-	(395,115)	-	139.20	31-Mar-21
2019 LTIP	566,094	-	-	-	566,094	99.10	31-Mar-22
2020 LTIP	861,726	-	-	-	861,726	61.40	31-Mar-23
2021 LTIP	-	465,709	-	(465,709)	-	125.40	31-Mar-24
	1,822,935	465,709	-	(860,824)	1,427,820		
Greg Smith							
2018 LTIP	395,115	-	-	(395,115)	-	139.20	31-Mar-21
2019 LTIP	566,094	-	-	-	566,094	99.10	31-Mar-22
2020 LTIP	894,869	-	-	-	894,869	61.40	31-Mar-23
2021 LTIP	-	483,253	-	-	483,253	125.40	31-Mar-24
	1,856,078	483,253	-	(395,115)	1,944,216		
David Baynes							
2018 LTIP	395,115	-	-	(395,115)	-	139.20	31-Mar-21
2019 LTIP	566,094	-	-	-	566,094	99.10	31-Mar-22
2020 LTIP	861,726	-	-	-	861,726	61.40	31-Mar-23
2021 LTIP	-	465,709	-	-	465,709	125.40	31-Mar-24
	1,822,935	465,709	-	(395,115)	1,893,429		

Deferred bonus share plan (“DBSP”)

Directors’ interests in nil-cost options under the Group’s DBSP that have been granted in order to defer AIS bonuses in accordance with our Policy are as follows:

	Options held at 1 January 2021	Option awarded in the year	Exercised during the Year	Lapsed during the year	Options held at 31 December 2021	Share price at date of award (p)	Earliest vesting dates
Alan Aubrey							
Deferral from 2018 AIS	11,282	-	11,282	-	-	99.10	31-Mar-21
Deferral from 2019 AIS	37,930	-	37,930	-	-	61.40	31-Mar-21
Deferral from 2019 AIS	37,930	-	-	-	37,930	61.40	31-Mar-22
Deferral from 2020 AIS	-	75,370	-	-	75,370	125.40	31-Mar-22
Deferral from 2020 AIS	-	75,370	-	-	75,370	125.40	31-Mar-23
	87,142	150,740	49,212	-	188,670		
Mike Townend							
Deferral from 2018 AIS	5,349	-	5,349	-	-	99.10	31-Mar-21
Deferral from 2019 AIS	21,685	-	21,685	-	-	61.40	31-Mar-21
Deferral from 2019 AIS	21,685	-	-	-	21,685	61.40	31-Mar-22
Deferral from 2020 AIS	-	48,213	-	-	48,213	125.40	31-Mar-22
Deferral from 2020 AIS	-	48,213	-	-	48,213	125.40	31-Mar-23
	48,719	96,426	27,034	-	118,111		
Greg Smith							
Deferral from 2018 AIS	5,349	-	5,349	-	-	99.10	31-Mar-21
Deferral from 2019 AIS	21,685	-	21,685	-	-	61.40	31-Mar-21
Deferral from 2019 AIS	21,685	-	-	-	21,685	61.40	31-Mar-22
Deferral from 2020 AIS	-	50,259	-	-	50,259	125.40	31-Mar-22
Deferral from 2020 AIS	-	50,259	-	-	50,259	125.40	31-Mar-23
	48,719	100,518	27,034	-	122,203		
David Baynes							
Deferral from 2018 AIS	5,349	-	5,349	-	-	99.10	31-Mar-21
Deferral from 2019 AIS	21,685	-	21,685	-	-	61.40	31-Mar-21
Deferral from 2019 AIS	21,685	-	-	-	21,685	61.40	31-Mar-22
Deferral from 2020 AIS	-	48,213	-	-	48,213	125.40	31-Mar-22
Deferral from 2020 AIS	-	48,213	-	-	48,213	125.40	31-Mar-23
	48,719	96,426	27,034	-	118,111		

Annual Remuneration Report continued

Save as You Earn (“SAYE”)

The Group operates an HMRC-registered SAYE share save scheme for all UK employees in which three executive directors are current participants. Their currently outstanding option contracts under the SAYE and the respective maturity dates are listed in the table below.

	Options held at 1 January 2021	Options awarded in the year	Exercised during the year	Lapsed during the year	Options held at 31 December 2021	Option exercise price (p)	Share price at date of award (p)	Earliest vesting date(s)
Greg Smith								
2019 SAYE	34,816	-	-	-	34,816	51.70	64.60	31-Aug-22
David Baynes								
2019 SAYE	34,816	-	-	-	34,816	51.70	64.60	31-Aug-22
Mike Townend								
2019 SAYE	34,816	-	-	-	34,816	51.70	64.60	31-Aug-22

Relative spend on pay

The chart below shows the total employee costs, change in Hard NAV and change in share price from 2020 to 2021.

	Total Employee Costs (£m) (+9%)	Hard NAV (£m) (+31%)	Share Price (p) (+25%)
2021	22.4	1,738.1	123.8
2020	20.6	1,331.5	98.9

The information shown in this chart is based on the following:

Total employee pay: total employee costs from note 9 on page 171 including wages and salaries, social security costs, pension and share-based payments.

Change in Hard NAV: change in the Group's net assets excluding goodwill and intangibles taken from the statement of financial position on page 157.

The Group has not historically paid a dividend and returns to shareholders have been represented by the change in the Group's share price over the reporting period. In 2021, the Group paid its 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 its interim results in August. Therefore, whilst the table shows share price movement from 31 December 2020 to 31 December 2021, actual returns to shareholders over the full period will have been marginally higher. In addition, during 2021 the Group initiated a share buyback programme and purchased £27.0m of its own shares, reducing Hard NAV by the corresponding amount. The growth in Hard NAV over the period would, therefore, have been higher without the buy-back.

External appointments for Executive Directors

Any proposed external directorships are considered by the Board to ensure they do not cause a conflict of interest but, subject to this, executive directors may accept a maximum of two external non-executive appointments and, indeed, the Board believes that it is part of their ongoing development to do so. Where an executive director accepts an appointment to the board of a company in which the Group is a shareholder, the Group generally retains the related fees. In the circumstances where the executive director receives such fees directly, such sums are generally deducted from their base salary from the Group. Fees earned for directorships of companies in which the Group does not have a shareholding are normally retained by the relevant director.

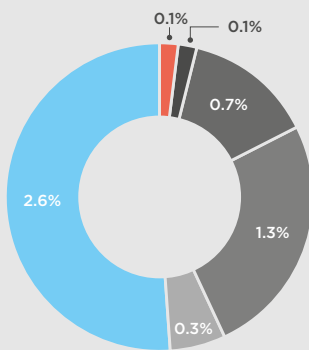
Key external appointments (excluding those companies in which the Group is a shareholder) held by executive directors are set out on page 92.

Limits on the number of shares used to satisfy share awards (dilution limits)

All of the Group's incentive schemes that contain an element that may be satisfied in IP Group shares incorporate provisions that in any ten-year period (ending on the relevant date of grant), the maximum number of the shares that may be issued or issuable under all such schemes shall not exceed 10% of the issued ordinary share capital of the Company.

The Committee regularly monitors the position and prior to the making of any share-based award considers the effect of potential vesting of outstanding awards to ensure that the Company remains within these limits. Any awards which are required to be satisfied by market purchased shares are excluded from such calculations. As a result of the share buyback programme which the Company commenced in October 2021, 22,279,127 shares were held in treasury as at 31 December 2021. No treasury shares were however utilised in the year ended 31 December 2021.

As at 15 March 2022, the Company's headroom position, which remains within such guidelines, was as shown in the chart.



- Vested LTIP awards in past 10 years - Executives
- Vested LTIP awards in past 10 years - Other staff
- Outstanding LTIP and awards - Executives
- Outstanding LTIP and Former Touchstone LTIP awards - Other staff
- Other Share schemes (Sharesave, DBSP, etc.)
- Additional headroom (to 5%)

Service agreements

The executive directors have service contracts that commenced on the dates set out in the chart below and contain a contractual notice period of six months by either party. The non-executive directors have letters of appointment that commenced on the dates set out in the chart below, are generally for an initial fixed term of three years, which is reviewed and may be extended for a further three years, and are terminable on three months' notice by either party. During 2021, Sir Douglas Flint and Heejae Chae's initial three-year terms were each extended for a further three years, and Elaine Sullivan's six-year term was extended for a further three years.

The letters of appointment and service contracts are available for inspection at the Company's registered office. In accordance with the Code, all directors submit themselves for annual re-election by shareholders at each AGM.

Effective dates of service contracts of the Executive Directors in post on 31 December 2021

Greg Smith → 7 October 2021

David Baynes → 7 October 2021

Effective dates of letters of appointment of the non-executive directors

Elaine Sullivan → 30 July 2015

Heejae Chae → 3 May 2018

Sir Douglas Flint¹ → 17 September 2018

Dr Caroline Brown → 1 July 2019

Aedhmar Hynes → 1 August 2019

¹ Effective as Chair from November 2018.

Annual Remuneration Report continued

Terms of Reference and Key Responsibilities

In line with the 2018 corporate governance code, the terms of reference for the Remuneration Committee were reviewed, and adopted, by the Board in December 2021. The Committee will continue to review its terms of reference at least annually and will propose updates where necessary or appropriate. The key responsibilities of the Committee are unchanged, as follows:

- Determine the policy for executive director remuneration
- Design and set the remuneration for the Chair, executive directors and senior management
- Review workforce remuneration and related policies to ensure the Group retains the best talent
- Review remuneration practice and overall costs to the Group
- Consider pension and superannuation arrangements, and other employee benefits offered
- Consider the engagement and independence of external remuneration advisers
- Establishing the Group's policy with respect to employee incentivisation schemes

The full terms of reference of the Committee are available on the Group's website at www.ipgroupplc.com.

Consideration by the directors of matters relating to directors' remuneration

The Remuneration Committee currently comprises the following independent Non-executive Directors whose backgrounds and experience are summarised on pages 92 to 93:

Heejae Chae (Chair)

Douglas Flint

Elaine Sullivan

Caroline Brown

Aedhmar Hynes

David Begg was also a member of the Committee during 2021, until his retirement from the Board on 9 June 2021.

Committee meetings are administered and minuted by the Company Secretary. In addition, the Committee receives assistance from the CEO, CFOO and Group People Director who attend meetings by invitation, except when matters relating to their own remuneration are being discussed.

During the year, the key activities carried out by the Committee were:

- Triennial review of the Directors' Remuneration Policy, including a 'first principles' consideration of the Group's overall remuneration philosophy to ensure it continues to support the Group's strategy, including the definition of appropriate pay levels and the structure and blend of short and long-term incentive opportunities.
- Consideration of appropriate base salary levels for the newly appointed CEO and CFOO, taking into account appropriate market benchmarks, internal comparisons and structural changes to remuneration being proposed from 2022.
- Consideration of the skills and experience of the executive directors and carrying out of benchmarking in order to determine base salaries and total remuneration opportunity for the period 1 April 2020 to 31 March 2021 and giving further consideration to base salaries and total remuneration opportunity with effect from 1 April 2021.
- Review of the Group's approach to non-director remuneration, including base salaries and incentive scheme targets and pay-outs, with focus on those employees earning more than £150,000 or local currency equivalent.
- Consideration of LTIP awards and vesting targets for 2021, consideration of 2022 RSP awards and the monitoring of and out-turns for the 2019, 2020 and 2021 LTIP awards.
- Consideration of AIS awards and targets for 2021 and 2022 as well as outcomes for 2021, including the active monitoring and approval of the Group's non-financial KPI.
- Review and consideration of the further evolution of the application of the Group's Remuneration Policy for non-director employees with particular consideration given to matters related to the UK, US, Hong Kong and Australian basic salary levels, AIS structure and appropriate medium and long-term incentivisation, as well as consideration of the same for the Group's regulated fund management subsidiaries.
- Approval of the Group's DRR.

Adherence to Corporate Governance Code principles

When considering the proposed operation of the Remuneration Policy for the forthcoming year, the Committee took into consideration the following principles set out in the 2018 Corporate Governance Code.

Clarity	<ul style="list-style-type: none"> The Company seeks to provide full transparency to shareholders on the operation of the Remuneration Policy, including prospective disclosure of our NAV target range under the AIS. The Committee encourages frequent and open dialogue on executive director remuneration with shareholders and, during the triennial review process, undertook significant consultation with advisers, shareholders, proxy advisers and other stakeholders to optimise the proposed approach.
Simplicity	<ul style="list-style-type: none"> Our ongoing remuneration arrangements for executive directors, including the AIS, are simple in nature and well understood by both participants and shareholders. Our proposed new Restricted Share Plan significantly simplifies our long-term incentive structure, and directly aligns the interests of long-term shareholders with the management team. Our incentive arrangements are cascaded down through the Group to provide alignment and overall simplicity in our approach to remuneration. All employees participate in the AIS (with additional components based on team and/or individual objectives for non-director employees), and the (simplified) RSP will be extended to senior managerial levels and roles which are expected to have a material financial impact on the Group's outcomes. The Committee intends to review the Group's wider remuneration arrangements again in 2022 to ensure that this principle continues to be appropriately met.
Risk	<ul style="list-style-type: none"> Under both the AIS and RSP, discretion may be applied where formulaic outturns are not considered reflective of overall business or individual performance or any other reason considered appropriate. Deferral of a proportion of AIS awards, the LTIP and RSP holding periods and our increased shareholding requirement, including post-cessation shareholding requirement, provide a clear link to the ongoing performance of the business and the experience of our shareholders. Malus and clawback provisions apply to AIS, LTIP and RSP awards.
Predictability	<ul style="list-style-type: none"> Our Remuneration Policy contains details of the maximum opportunities and pre-determined target ranges under our AIS and RSP, with actual outcomes dependent on performance achieved against these targets.
Proportionality	<ul style="list-style-type: none"> We operate a performance-based philosophy with a focus on the long term. Our performance measures and target ranges under the AIS and RSP, including the use of NAV, are selected based on their alignment to Company strategy. The Committee's ability to apply discretion ensures appropriate out-turns in the context of long-term Company performance. The focus on the long term within our remuneration approach, including the delivery of a significant proportion of our incentives in the form of Company shares and the use of a long-term carried interest scheme for non-director employees, provides significant alignment between employees' and executive directors' remuneration outcomes and long-term Company performance.
Alignment to culture	<ul style="list-style-type: none"> All employees are entitled to participate in the pension scheme and the SAYE scheme. Executive Director participation in these schemes is on the same terms as for other employees. Strong individual and Company performance is incentivised and recognised through our AIS and, for our more senior employees, the LTIP and the proposed RSP. We have continued to use employee engagement and culture as a performance measure under the AIS, which explicitly takes into account the engagement of our most valuable asset, our people. In 2021 this measure applied to both executive directors and members of the newly constituted Executive Committee.

Annual Remuneration Report continued

External advisers

The Remuneration Committee is authorised, if it wishes, to seek independent specialist services to provide information and advice on remuneration at the Company's expense, including attendance at Committee meetings.

During the year, the Remuneration Committee continued its review of executive remuneration and took into consideration independent professional advice from Deloitte LLP in respect of the development of the Group's Remuneration Policy and its application, and reporting under the Directors' Remuneration Reporting Regulations. Deloitte is a founding member of the Remuneration Consultants Group and adheres to its Code in relation to executive remuneration consulting in the UK. The lead engagement partner has no other connection with the Company or individual directors. Fees paid to Deloitte LLP in connection with advice to the Committee in 2021 were £53,600.

During the policy review process, the Remuneration Committee also took advice from Alex Edmans, Professor of Finance at London Business School and Academic Director of the Centre for Corporate Governance in his capacity as an independent remuneration consultant. Mr Edmans has no other connection with the Company or individual directors. Fees paid to Mr Edmans in connection with advice to the committee in 2021 were £2,000.

Statement of shareholder voting

The table below sets out the proxy results of the votes on resolutions in respect of directors' remuneration at AGM.

	Votes for		Votes against		Total votes cast	Votes withheld
	Number	% of votes cast	Number	% of votes cast		
Remuneration Policy (2019 AGM)	875,789,024	96.63	30,524,396	3.37	906,403,420	18,335
2020 Remuneration Report (2021 AGM)	760,157,189	97.72	17,765,700	2.28	783,347,732	5,424,843

Remuneration disclosure

This report complies with the requirements of the Large and Medium-sized Companies and Groups Regulations 2008 as amended in 2013, the provisions of the UK Corporate Governance Code (July 2018) and the Listing Rules.



Report of the Audit and Risk Committee



Dr Caroline Brown

Chair of the Audit and Risk Committee

Audit and Risk Committee (“ARC” or the “Committee”) responsibilities

The Committee monitors the integrity of the financial statements of the Group, and reviews all proposed annual and half-yearly results announcements to be made by the Group with consideration being given to any significant financial reporting judgements contained in them. The Committee also advises the Board on whether it believes the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy. The Committee takes responsibility on behalf of the Board for the review of internal financial controls, risk management and internal control systems as well as conducting an annual robust assessment of these. The Committee also reviews the Group's compliance with legal and regulatory requirements.

A full copy of the Committee's Terms of Reference is available from the Group's website at www.ipgroupplc.com.

Terms of Reference

The Committee continues to review its terms of reference at least annually and will propose updates where necessary and/or appropriate to reflect current market practice.

Committee membership and meetings

At 31 December 2021, the Committee comprised four independent Non-executive Directors. Professor David Begg was also a member of the Committee until his retirement in June. I wish to thank Professor Begg for his long service to the Committee. All members are considered to be appropriately experienced to fulfil their role and allow the Committee to perform its duties effectively. I am deemed by the Board to have recent and relevant financial experience, being a Fellow of the Chartered Institute of Management Accountants and having held senior financial positions in my career. The Board is satisfied that for the year under review, and thereafter, the Audit and Risk Committee as a whole has competence relevant to the sector in which

the Group operates. Further details of specific relevant experience can be found in the Director's biographies on pages 92 to 93.

The Committee met six times during 2021, see Board and Committee attendance table, page 101. The Group's Chairman, Chief Financial Officer, Group Finance Director, Company Secretary, outsourced Head of Internal Audit and the external auditor were also invited to attend all meetings and did so. Greg Smith continued to attend meetings after his promotion from CFO to CEO to aid a smooth transition to the incoming Chief Financial and Operating Officer, David Baynes, who was invited to attend the final two Committee meetings of the year. The meetings cover regular agenda items on audit, risk and internal controls, compliance and policies; additional matters are considered as required and other members of management were invited to attend for specific subjects. In addition, I also met privately with individual members of management, the external auditor and the outsourced Head of Internal Audit prior to each Committee meeting. I continued to attend meetings of the Valuation Committee as an observer in the year and was invited to formally join the committee commencing in November to increase the level of independence over portfolio valuations. At the end of the annual audit process in March the Committee met with the external auditor without any members of the executive management team being present.

Activities of the Committee

During 2021, and early 2022, the Committee has continued its journey to formalise and enhance its oversight of matters it is responsible for and prepare for increasing regulatory and corporate governance requirements. The key areas of focus included the review of valuation updates during the year, responding to the government's consultation on UK audit and corporate governance reforms and preparation for an expected internal controls regime, oversight of the Group's preparation for the first mandatory TCFD disclosures and oversight of the updates made to the Capital Allocation Policy to facilitate the Group's maiden dividend (page 50). During the year the Committee received three internal audit reviews performed by the Group's outsourced internal audit function and continues to monitor implementation of agreed improvements. The Committee also reviewed new and updated policies and reviewed exceptions to regular key risk indicator (“KRI”) monitoring.

Key Accounting Judgements

The valuation of unquoted investments remains the most material area of judgement in the financial statements and is the key audit risk for the Group. At each reporting date the Committee receives updates from the Valuation Committee and from the external auditor regarding the approach that has been taken in assessing the key estimates in respect of portfolio valuations. Significant time at each relevant Committee meeting is assigned to discuss portfolio valuations which has allowed the Committee to debate and challenge the approach taken (see pages 10 – 13, 163 – 164, 165 – 166 and 174 – 175).

As in previous years, the Committee has paid significant attention to the valuation of the Group's holding in Oxford Nanopore Technologies plc prior to its IPO in September, the valuation of assets which have not completed a funding round within the last nine months, assets which have seen significant positive or negative developments in the year and assets with active financings or sale processes on or after the measurement date. The key value drivers within the Group's portfolio in the year included a combination of listings and acquisitions which have reduced the subjectiveness of the FY 2022 valuations via the conversion to listed stock

or realisation to cash. The Group has continued to utilise external valuations specialists where considered appropriate as part of its valuation procedures, with external valuation reports being commissioned on 5 of our larger portfolio holdings during the year (2020: 7).

The Valuation Committee assists in the formalisation and documentation of management's valuation judgements in line with the Group's accounting policies and industry valuation guidance from IPEV. During the year, the Valuation Committee was chaired by the Group CFO and its members were the Group CEO, COO and CFO. In response to the management team transition and a desire for greater independence the committee's membership was updated to the Group CEO, myself and the CFO as Chair. It was agreed that I would join the committee as a short-term solution while alternative options for an independent committee chair were assessed. Also in attendance were the Managing Partners of the Technology and Life Sciences partnerships, the Group Finance Director and external auditors. The Valuation Committee met four times in 2021 and three times in early 2022 to facilitate the conclusion of the 2021 year end valuations. One of the three early 2022 meetings included a review of the appropriateness of the Group's valuation disclosures, including the IFRS 13 requirements around the disclosure of quantitative valuation inputs and sensitivity disclosures. Following a review of valuation inputs, the valuation committee concluded that quantitative unobservable inputs were below a size threshold which would warrant disclosure under IFRS 13, paragraphs 93(d). Additionally, other than a specific sensitivity disclosure around potential valuation ranges for Istesso, the valuation committee concluded that because of the large number of inputs used in the valuation of assets valued on 'other methods', any range of reasonably possible alternative assumptions does not significantly impact the fair value and hence does not require disclosure.

One of the three internal audit reviews carried out in the year reviewed the Group's processes for the valuation of assets which provided a report classification of "satisfactory with exceptions", satisfactory being the highest rating available. Management are addressing all areas highlighted for improvement in line with the plan agreed with the internal auditor.

Another key accounting judgement related to the application of IFRS 10 in respect of the Group's US platform IPG Cayman LP. The Group's US portfolio is held via a Limited Partnership fund, IPG Cayman LP, which was set up in 2018 to facilitate third party investment into the Group's US 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 2021, several events took place which caused the Group to reassess the its control of both entities (i) IPG Cayman LP raised additional third-party funds in the first half of 2021, which reduced the Group's holding % in the fund from 80.7% to 58.1%, (ii) investors in the 2021 IPG Cayman LP funding hold an option to subscribe additional funds which, if exercised, would result in IP Group holding less than 50% in the fund and (iii) in November 2021 the Group disposed of its equity in IPG Cayman LP's fund manager, IP Group Inc. and no longer controls the fund manager. As a result of these and other factors, the Group concluded that it no longer controls IPG Cayman LP, and hence have ceased to consolidate it from November 2021. Arriving at this conclusion required the application of judgement, most significantly in assessing the application guidance contained in IFRS 10 B19, which suggests that in some instances a special relationship may exist suggesting that an investor has a more than passive interest in the investee.

Having considered this guidance management concluded that on balance the Group does not have power over IPG Cayman LP and hence does not control it. The Committee reviewed and discussed management's assessment in detail at its Committee meetings in February and March 2022.

Review of Annual Report and Accounts and Half-yearly Report

The Committee carried out a thorough review of the Group's Annual Report and Accounts and its Half-yearly Report for 2021 resulting in the recommendation of both for approval by the Board. In carrying out its review, the Committee gave particular consideration to whether the Annual Report, taken as a whole, was fair, balanced and understandable, concluding that it was. It did this primarily through consideration of the reporting of the Group's performance, business model and strategy, the competitive landscape in which it operates, the significant risks it faces, the progress made against its strategic objectives and the progress made by, and changes in fair value of, its portfolio companies during the year.

During the year, the Committee considered the application of IFRS 10, segmental reporting, long-term viability and going concern disclosures, reviewed a summary of controls reliance obtained in the year and related internal control disclosures made within the Corporate Governance Report (page 96), the use of Alternative Performance Measures ("APMs") and climate change disclosures.

Going concern and long-term viability review

On an annual basis the Committee reviews and approves the long-term viability review prepared by management and satisfies itself that the going concern basis for the preparation of the Group's results remains appropriate.

In advance of year end, the Committee reviewed the Group's proposed approach to viability reporting, including its stress testing scenarios. The Committee reviewed management reports setting out its view of the Group's long-term viability including a description of the factors considered in forming an assessment of the Group's prospects. The long-term viability review was based on the Group's three-year strategic plan, including forecast investment, realisations, overheads, financing cashflows and dividends. The Committee agreed that a three-year time horizon remained appropriate.

Management's assessment included scenarios where adverse impacts across the Group's principal risks relating to insufficient capital, and macro-economic conditions were considered. Under the severe scenario, a 70% reduction in realisations and a 50% decline in portfolio fair values were considered together with a series of mitigating actions, which resulted in the Group remaining viable over the three-year horizon. Management re-presented the review in light of an updated operating plan due to deteriorating market conditions in early 2022 which continued to show the Group would continue to meet its base capital requirements and maintain significant headroom to covenant cash requirements. The Committee agreed to recommend the Viability statement to the Board for approval.

Risk and internal controls

The key elements of the Group's internal control framework and procedures are set out on page 52 to 53. The principal risks the Group faces are set out on pages 55 to 63. During the year, the Committee devoted part of each meeting to items concerning risk and its management.



READ ABOUT
[OUR VIABILITY
STATEMENT ON
PAGE 62](#)

Report of the Audit and Risk Committee

continued

One important element of the Group's risk management framework is the Risk Council whose permanent members are the CFOO, Company Secretary and Group Finance Director, with other executives and management from across the business attending during the year as necessary. The purpose of the Risk Council is to co-ordinate the governance, risk and controls at IP Group prior to reporting to the Committee and Board. The Risk Council met six times during the year and reported to the Committee at each meeting.

During 2021 and early 2022, the Committee reviewed management's updated assessment of strategic and principal risks and risk appetite statements prepared using input from an executive management workshop ahead of a Board discussion to approve the Group's final principal risk and risk appetite statements. The Committee reviewed output from the Risk Council summarising key themes arising from the operational risk reviews and the Group's updated strategic and principal risk profiles. The Committee also considered the Group's emerging risks, which are summarised on page 54 and paid special attention to increasing economic uncertainty, cyber threats and climate change. The Committee also reviewed the output of testing of all key controls in place to mitigate the Group's principal risks. This review included all material financial, operational and compliance controls. PwC, on behalf of management, assessed the control design and operating effectiveness of these key controls over principal risks using the COSO framework principles. No significant failings or weaknesses were identified however control deficiencies were identified and recommendations for improvement agreed with management. Implementation of the remedial actions was reviewed by the Risk Council and reported to the Committee.

The Committee's review of risk management systems in place includes an assessment of performance of the Risk Council against agreed objectives and monitoring of key risk indicators against pre-agreed thresholds determined in response to the Board's annual assessment of the Group's principal risks and risk appetite.

Cyber security

The Group has continued its focus on cyber and IT security, with regular updates to the Committee on the steps being taken by the Group to mitigate cyber risks including investment in additional security measures and the adoption of a detailed cyber incident response plan. During the year the Group deployed additional, more regular and interactive cyber threat training sessions and employed additional team resource in response to the continued and increasing threats posed by external threat actors see page 62 for further details on management's response and developments in the year in relation to this risk. The team implemented the majority of actions recommended by the internal auditor following their cyber maturity assessment in late 2020 and are working towards completing all actions by March 2022. The Committee reviewed the findings of this work and receive regular updates on the actions arising from internal audit reviews as well as additional review of completed actions to confirm they have been completed to the required standard. As in prior years, employee awareness training on cyber security and regular phishing testing was conducted Group-wide in the year.

Compliance

Ensuring compliance for regulated businesses represents an important control risk from the perspective of the Committee and regular updates are provided to the Committee by the Group's subsidiary compliance officers and international equivalents. Ongoing internal reviews are conducted through the use of a compliance monitoring programme and specialist

advisory firms and local advisors are employed to advise on areas of regulation relevant to the Group's operations where required.

The Committee reviewed and approved a new Anti-Financial Crime policy which formalises the review work already being undertaken at Group-level and also reviewed existing Group policies on anti-bribery and corruption, speaking-up, related party transactions and modern slavery statement.

Correspondence with Financial Reporting Council

In November 2021, the Corporate Reporting Review department of the Financial Reporting Council "FRC" advised that our Annual Report for the year ended 31 December 2020 had been subject to their review with the following substantive matters raised:

- The FRC asked for an explanation of the basis on which the directors determined that the Company did not qualify for the investment entity exemption in IFRS 10 'Consolidated Financial Statements'. Our response satisfactorily addressed the question and we committed to provide specific disclosure about the assessment of the investment entity exemption in future annual reports to improve the clarity over the basis of preparation of the financial statements.
- The FRC asked for further information about the fair value measurements of unquoted equity investments categorised within 'other valuation methods' and the sensitivity of these measurements to changes in unobservable inputs. We provided the information requested and agreed to expand and clarify the description of the valuation techniques used and to link those techniques more explicitly to numerical analysis in future annual reports. We also agreed to further disaggregate the 'other valuation methods' category in the numerical analysis included in the notes to the financial statements.

Our responses were accepted by the FRC and their review was closed in February 2022.

The FRC's review was based on the Group's 2020 Annual Report and Accounts and did not benefit from detailed knowledge of our business, or an understanding of the underlying transactions entered. It is, however, conducted by staff of the FRC who understand the relevant legal and accounting framework. Their correspondence provides no assurance that the Group's report and accounts are correct in all material respects; the FRC's role is not to verify the information provided but to consider compliance with reporting requirements. The FRC's letters are written on the basis that the FRC (which includes the FRC's officers, employees, and agents) accepts no liability for reliance on them by the company or any third party, including but not limited to investors and shareholders.

Internal audit

2021 was the third year that the Group operated an outsourced internal audit function, delivered by PwC. The internal audit function designed a plan of work having considered the Group's principal, strategic and operational risks, which the Committee approved. The internal audit function delivered three internal control reviews which were focussed on (i) key HR and payroll controls and a review of the remunerations processes in place, (ii) a review of controls and processes in place for the valuation of the unlisted portfolio assets and (iii) an IT General Controls review. At the request of management the internal audit team are also providing additional assurance via a follow up review to confirm completed remediation points identified in the 2020

cyber security maturity assessment reviews were completed to the required standard. The Committee reviewed the output of these control reviews and monitored progress against each action identified in the year. The Committee values the work of the internal auditor in providing independent and objective assurance in meeting its corporate governance and regulatory responsibilities.

The Committee considered the effectiveness of the internal audit function by reviewing the outcomes of their reports and recommendations and annual strategy document also aided by a management assessment of quality in the year. The Committee concluded that the internal audit function had performed satisfactorily in the year and recommended the continued use of an outsourced internal audit function.

External audit

The effectiveness of the external audit process is dependent on appropriate risk identification. The Committee discussed the auditor's plan for the 2021 year end audit at its September and December meetings. This included a summary of the proposed audit scope and a summary of what the auditor considered to be the most significant financial reporting risks facing the Group together with the auditor's proposed audit approach to these significant risk areas. The main areas of audit focus for the year were the valuation of the Group's top 20 unquoted investments and those unquoted investments with a funding round from over 12 months ago given the level of judgement required and the ability of one or a combination of these valuations to materially impact the financial statements. Other areas of audit focus are the valuation of unquoted investments with a funding round within 12 months, going concern and long-term viability, valuation of quoted investments, revenue recognition, employee benefits and share based payments and compliance with the Companies Act, Listing Rules and with Corporate Governance requirements. The auditor's plan included the approach to the categorisation and testing of unquoted investments and a detailed audit timetable including completion of a portion of the Group's subsidiary statutory account audits, developed in conjunction with management. Following a successful trial in 2020 which saw an accelerated audit timetable and reduced costs the Committee approved a proposal from management to re-engage auditor Moore Northern Home Counties Limited on the Group's simpler trading subsidiaries which are small in nature and do not hold any significant portfolio company investments.

Appointment and independence

The Committee advises the Board on the appointment of the external auditor and on its remuneration both for audit and non-audit work and discusses the nature, scope and results of the audit with the external auditor. The Committee keeps under review the cost-effectiveness and the independence and objectivity of the external auditor. Controls in place includes monitoring the independence and effectiveness of the audit, implementing a policy on the engagement of the external auditor to supply non-audit services, and a review of the scope of the audit and fee and performance of the external auditor.

Mandatory audit firm rotation is required after 20 years, and a re-tender must be conducted at least every ten years. The Code requires disclosure of the length of tenure of the current audit firm and when a tender was last conducted, as well as advance notice of any re-tendering plans. KPMG LLP have acted as the auditor to the Group since 2014 and the lead audit partner rotates every five years to assure independence. Mr Jonathan Martin became lead audit partner responsible for the Group's statutory audit for the 2019 year end onwards.

The Committee has benefited from Mr Martin's extensive valuation expertise and continues to believe he is a suitable audit partner for the Group. The Committee last undertook a comprehensive tender process in 2014 for the audit in relation to the year ended 31 December 2014 and has no plans to re-tender the audit at the present time.

Non-audit work

For the 2021 financial year, the Group's non-audit services policy has been updated and approved by the Committee. The updated policy incorporates the requirements of the FRC's revised Ethical Standard that was published in December 2019. The policy details the nature of the services that the external auditor may not undertake and specifies that non-audit services, unless pre-approved, are subject to prior approval from the CFOO, ARC Chair or the Committee. The policy states that the overall fee for non-audit services should not exceed 70% of the average audit fee over the prior three-year period. An analysis of audit and non-audit fees paid to KPMG is provided in note 6 to the financial statements on page 170. In addition to the review of the Group's half-yearly results, in 2021 the Group's auditor, KPMG LLP once again carried out compliance reporting for the Group's debt facilities with the EIB. Given the natural overlap between this work and the financial audit of the Group's results, the Committee judged KPMG the most effective party to perform this work. In other matters, the Committee prefers to engage other firms to perform consulting engagements to ensure that the independence of the auditor is not compromised and during 2021 engaged the services of BDO (tax), PwC (internal audit, risk, and governance), Deloitte (valuations) and Kroll (formerly Duff & Phelps) (valuations).

Auditor independence

A formal statement of independence is received from the auditor each year and the Board, and the Audit and Risk Committee are satisfied that the independence of the auditor has been maintained.

Auditor effectiveness

In order to assess the effectiveness of the external audit process, the Committee asked detailed questions of key members of management and each Committee member individually via a survey, the results of which were collated and reviewed by myself and the CFOO. These results were reviewed in conjunction with KPMG's reports to the Committee. The Committee concurred with management's view that there had been appropriate focus and challenge of the primary areas of audit risk and the Committee concluded that the substantive and detailed approach taken by the auditor was entirely appropriate and effective. As in the previous year, the vast majority of the Group's assets by value were reviewed as part of the audit, and once again there was particular emphasis on the valuation of unquoted investments. KPMG utilised specialist corporate finance staff to support its audit work on selected portfolio valuations and, overall, the auditor's risk-based approach drew on both their knowledge of the business and the wider economic and business environment.

Dr Caroline Brown

Chair of the Audit and Risk Committee
15 March 2022

Directors' Report

Report of the Directors

The Directors present their report together with the audited financial statements for IP Group plc and its subsidiaries for the year ended 31 December 2021.

Corporate governance statement

Information that fulfils the requirements of the corporate governance statement can be found in the Corporate Governance Statement on pages 96 to 107 and is incorporated into this Directors' Report by reference.

Results and dividends

During the period, the Group made an overall profit after taxation for the year ended 31 December 2021 of £449.3m (2020: £185.4m). The Board recommends a final dividend for the year ended 31 December 2021 of 0.72 p per share (2020: 1p) to be taken to the 2022 Annual General Meeting, which is intended to be offered as a scrip dividend alternative under the authority granted at the 2021 Annual General Meeting.

Directors

The names of Directors who currently hold office or did so during 2021 are as follows:

Executive Directors

Alan Aubrey (retired on 06 October 2021)

David Baynes

Greg Smith

Mike Townend (retired on 06 October 2021)

Non-executive Directors

Sir Douglas Flint (Chairman)

Professor David Begg (retired 09 June 2021)

Dr Caroline Brown

Heejae Chae

Aedhmar Hynes

Dr Elaine Sullivan

Details of the interests of directors in the share capital of the Company are set out in the Directors' Remuneration Report on page 131.

Principal risks and uncertainties and financial instruments

The Group is exposed to a number of risks through its operations. The Group's risk management objectives and policies are described on pages 52 to 63 and in the Corporate Governance Report on page 103. Further information on the Group's financial risk management objectives and policies, including those in relation to credit risk, liquidity risk and market risk, is provided in note 30 to the consolidated financial statements, along with further information on the Group's use of financial instruments.

Significant events affecting the Group

Details of the important events affecting the Group and future development of the business are described on pages 14 to 15 of the Strategic Report.

Branches of the Group outside of the UK

The Group has branches in the US, Australia and Hong Kong and had a branch in the US prior to its disposal in November 2021.

Significant agreements

The Group has entered into various agreements to form partnerships or collaborations with nine universities in Australasia which contain certain change of control provisions. In addition, various entities within the Group have entered into agreements to act as general partner and investment manager to two limited partnerships.

Share capital and related matters

Details of the structure of the Company's share capital and the rights attaching to the Company's shares are set out in note one to the consolidated financial statements. There are no specific restrictions on the size of a holding or on the transfer of shares, which are both governed by the general provisions of the Company's Articles of Association (the "Articles") and prevailing legislation.

At the last Annual General Meeting of the Company held on 09 June 2021 (the "2021 AGM"), authority was given to the directors pursuant to the relevant provisions of the Companies Act 2006 (the "CA 2006") to allot shares and grant rights over securities in the Company up to a maximum amount equivalent to approximately one-third of the issued ordinary share capital on 06 May 2021 at any time up to the earlier of the conclusion of the next Annual General Meeting ("AGM") of the Company and 09 September 2022. In addition, at the 2021 AGM, the directors were also given authority effective for the same period as the aforementioned authority to allot shares and grant rights over securities in the Company up to a maximum of approximately two-thirds of the total ordinary share capital in issue on 06 May 2021 in connection with an offer by way of a fully pre-emptive rights issue. The Directors propose to renew both authorities at the Company's next AGM to be held on 14 June 2022 ("2022 AGM"). The authorities being sought are in accordance with guidance issued by the Investment Association.

A further special resolution passed at the 2021 AGM granted authority to the Directors to allot equity securities in the Company for cash, without regard to the pre-emption provisions of the CA 2006, both: (i) up to a maximum of approximately 5% of the aggregate nominal value of the shares in issue on 06 May 2021; and (ii) up to a further maximum of approximately 5% of the aggregate nominal value of the shares in issue on 06 May 2021 in connection with financing an acquisition or other applicable capital investment, each authority exercisable at any time up to the earlier of the conclusion of the next AGM of the Company and 09 September 2022. The directors will seek to renew these authorities for a similar period at the 2022 AGM.

At the 2021 AGM, authority was also given to the directors to offer the holders of shares of the Company, to the extent and in the manner determined by the directors, the right to elect to receive new shares (credited as fully paid) instead of cash and to allot new shares pursuant to such offer, in respect of any dividend as may be declared by the directors from time to time. This authority will remain in place for the period ending on the date of the Annual General Meeting to be held

in 2024, except that the directors shall be entitled to make an offer pursuant to this authority which would or might require shares to be allotted after such time and the Company may allot such shares as if this authority had not expired. The directors propose, subject to shareholder approval, to extend this authority at the 2022 AGM to enable the use of existing treasury shares, as well as newly issued shares, for the Company's scrip dividend scheme.

Under Part 18, Chapter 5 of the CA 2006, the Company has the power to purchase its own shares. At the 2021 AGM, a special resolution was passed which granted the directors authority to make market purchases of the Company's shares pursuant to these provisions of the CA 2006 up to a maximum of approximately 10% of the Company's issued share capital on 06 May 2021 provided that the authority granted set a minimum and maximum price at which purchases can be made and is exercisable at any time up to the earlier of the conclusion of the next AGM and 09 September 2022. This authority has been utilised during the year in connection with the Group's share buyback programme, further detail of which can be found on pages 50. The directors will seek to renew this authority within similar parameters and for a similar period at the 2022 AGM.

Articles of Association

The Company's Articles may be amended by a special resolution of the shareholders and were last amended at the 2021 AGM.

Substantial shareholders

As at 31 December 2021, the following shareholder held interests of 3% or more in its ordinary share capital. Other than as shown, so far as the Company (and its directors) are aware, no other person held or was beneficially interested in a disclosable interest in the Company.

Shareholder	%
RPM Railpen	15.60
Ballie Gifford	5.66
Liontrust Sustainable Investments	5.61
Vanguard Group	4.29
Blackrock	4.25
Schroder Investment Management	3.37

As at 28 February 2022, the Company has been advised of the following shareholders with interests of 3% or more in its ordinary share capital. Other than as shown, so far as the Company (and its directors) are aware, no other person holds or is beneficially interested in a disclosable interest in the Company.

Shareholder	%
RPM Railpen	15.71
Ballie Gifford	5.45
Liontrust Sustainable Investments	5.21
Vanguard Group	4.34
Blackrock	4.23
Schroder Investment Management	3.60

Corporate and social responsibility

Details of the Group's policies, activities and aims with regard to its corporate and social responsibilities, including details of its greenhouse gas emissions, are included in the Sustainability section on pages 64 to 77, in the Corporate Governance Statement on pages 96 to 97 and in the s172(1) Statement on page 84.

Directors' indemnity and liability insurance

During the year, the Company has maintained liability insurance in respect of its Directors. Subject to the provisions of the CA 2006, the Articles provide that, to the extent that the proceeds of any liability insurance are insufficient to meet any liability in full, every Director is entitled to be indemnified out of the funds of the Company against any liabilities incurred in the execution or discharge of his or her powers or duties. A copy of the indemnity is available for inspection as required by the CA 2006.

Regulation

Top Technology Ventures Limited and Parkwalk Advisors Ltd, wholly-owned subsidiaries of the Company are authorised and regulated by the Financial Conduct Authority under the Financial Services and Markets Act 2000. In Australia, the Group's wholly-owned subsidiary IP2IPO Australia Management Pty Limited is authorised and regulated by the Australian Securities and Investment Commission.

Post balance sheet events

Material events occurring since the balance sheet date are disclosed in the Strategic Report (see page 1) and in note 31 to the Group's financial statements.

Directors' Report

continued

Political expenditure

Although it is the Board's policy not to incur political expenditure or otherwise make cash contributions to political parties, and it has no intention of changing that policy, the CA 2006 is very broadly drafted in this area and the Board has raised a concern that it may include activities such as funding conferences or supporting certain bodies involved in policy review and law reform. Accordingly, at the 2021 AGM and as at previous AGMs, the shareholders passed a resolution on a precautionary basis to authorise the Group to incur political expenditure (as defined in Section 365 of the CA 2006) not exceeding £50,000 in total at any time from the date of the 2021 AGM up to the conclusion of the 2022 AGM. The Board intends to seek renewed authority for the Group to incur political expenditure of not more than £50,000 in total at the Company's 2022 AGM, which the Group might otherwise be prohibited from making or incurring under the terms of the CA 2006.

Political donations

The Group did not make any political donations during 2021.

Disclosure of information to auditor

Each of the persons who is a Director at the date of approval of this Annual Report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the CA 2006.

Going concern

The Directors confirm that they have a reasonable expectation that the Group will have adequate resources to continue in operational existence for at least the next 12 months from the date of the accounts and, accordingly, they continue to adopt the going concern basis in preparing the financial statements. A viability statement, as required by the Code, can be found on page 62.

Appointment of auditor

A resolution to reappoint KPMG LLP, together with a resolution to authorise the Directors to determine their remuneration, will be proposed at the Annual General Meeting to be held on 14 June 2022.

On behalf of the Board



Angela Leach

Company Secretary
15 March 2022

Statement of Directors' Responsibilities

In respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. The Group financial statements have been prepared and approved by the directors following the recognition, measurement and disclosure requirements of UK-adopted international accounting standards ("Adopted IFRS").

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with Adopted IFRS;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements;
- assess the group and parent company's ability to continue as a going concern disclosing, as applicable, matters related to going concern; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the CA 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report (which includes a s.172 statement), Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

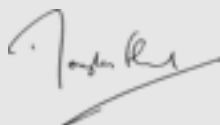
Responsibility statement of the Directors in respect of the annual financial report

In accordance with DTR 4.1.12 we confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidated group taken as a whole; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidated group taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

On behalf of the Board



Sir Douglas Flint

Chairman
15 March 2022

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FINANCIALS



Independent auditor's report

to the members of IP Group plc

1. Our opinion is unmodified

We have audited the financial statements of IP Group plc ("the Company") for the year ended 31 December 2021 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity, the company balance sheet, the company statement of changes in equity, and the related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent company's affairs as at 31 December 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the shareholders on 13 May 2014. The period of total uninterrupted engagement is for the eight financial years ended 31 December 2021. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview

Materiality:	£15.5m (2020: £10.5m)
group financial statements as a whole	0.8% (2020: 0.7%) of total assets

Coverage	100% (2020: 100%) of total assets
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Key audit matters	vs 2020
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Recurring risks	Valuation of unquoted investments (Group) ▶
	Recoverability of investments in subsidiary undertaking (Parent Company) ▶

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters (unchanged from 2020), in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and our findings from those procedures in order that the Company's members, as a body, may better understand the process by which we arrived at our audit opinion. These matters were addressed, and our findings are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
<p>Valuation of unquoted investments</p> <p>(£751.9 million; 2020: £1,079.3 million)</p> <p><i>Refer to page 141 (Audit Committee Report), page 160 (accounting policy) and page 156 (financial disclosures).</i></p>	<p>Subjective Valuation</p> <p>53% (2020: 93%) of the Group's total assets (by value) is held in investments where no quoted market price is available.</p> <p>Unquoted investments are measured at fair value which is estimated by the directors based on methods established in accordance with International Private Equity and Venture Capital Valuations Guidelines by using measurements of value such as recent funding rounds and discounted cash flows.</p> <p>Where recent funding rounds are used, due to the relatively low number of investors involved, there is a risk that the prices on which fair value is based are not sufficiently at arm's length to ensure an independent fair value.</p> <p>Whether it remains appropriate to use the price of the recent funding round depends on the specific circumstances of the investment, the involvement of new investors, the stability of the external environment and the period since the previous funding round occurred. There are a number of assumptions made by the directors when using alternative valuation methods such as discounted cash flows, including the probability of achieving milestones and the discount rate used, these assumptions are subjective and may not reflect an arm's length fair value transaction.</p> <p>The effect of these matters is that, as part of our risk assessment, we determined that the valuation of unquoted investments has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (note 13) disclose the sensitivity estimated by the Group.</p>	<p>Our procedures included:</p> <p>Our sector experience: For a sample of investments, selected using a combination of specific item and statistical sampling, assessing and challenging the reasonableness of the valuation approach used and considering these against the latest IPEV guidelines;</p> <ul style="list-style-type: none"> • For investments valued using a recent funding round as an appropriate basis for the measurement of the fair value, we evaluate the independence of the funding round on which this valuation is based (e.g. presence of new external investors) and corroborate the price to signed Share Subscription Agreements; • For those valued based on a funding round aged greater than 12 months, we corroborate judgements through discussions with the investment team and independent support, such as investee board minutes. We also inspect the underlying data supporting the funding round to corroborate that there were new third party investors and further inspect board reports and market research on the investments to corroborate that the development of the investment is in line with the change in the valuation over the period; • For those valued using alternative valuation methods, such as discounted cash flows, we assessed the key assumptions used by comparing them to market data and the underlying reported information of the portfolio company along with agreeing key inputs back to independent support, such as signed license agreements. We further assessed the effect of changing one or more inputs to reasonably possible alternative valuation assumptions; • For those investments where directors have engaged a third party valuation expert, we have discussed the methodology with both directors and where appropriate the valuation expert, re-performed the calculation of fair value and agreed the key assumptions to supporting documentation; • Challenging the internal investment manager on key judgements affecting investee companies valuations, such as events since the last funding round, probability of achieving milestone events and discount rate used where applicable. We compared key underlying financial data inputs to external sources such as signed legal documentation, the investee company audited accounts and management information. We challenged the assumptions included in the valuation based on the plans of investee companies and assessed the impact of funding rounds in the post balance sheet period. • Assessing valuer's credentials: Assessing the expertise and experience of the Group's external valuation experts used in the corroboration of directors' valuation and challenging the appropriateness of the methods used; • Assessing transparency: We considered the appropriateness of the disclosures in respect of unquoted investments' valuation techniques used, the classification in the fair value hierarchy as well as the additional disclosure on the sensitivities considered. <p>We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.</p> <ul style="list-style-type: none"> • Our findings: We found the resulting valuations in relation to the unquoted financial investments to be mildly cautious (2020 finding: mildly cautious).

Independent auditor's report continued

to the Members of IP Group plc

	The risk	Our response
<p>Recoverability of investment in and loans to subsidiary undertakings (Parent Company).</p> <p>(£899.8 million; 2020: £946.0 million)</p> <p><i>Refer to page 140 (Audit Committee Report), page 160 (accounting policy) and page 156 (financial disclosures).</i></p>	<p>Low risk, High value</p> <p>The carrying amount of the Parent Company's investment in and loans to subsidiaries represents 99% (2020: 99%) of the Company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the Parent Company financial statements, this is considered to be the area that had the greatest effect on our overall Parent Company audit.</p>	<p>We performed the tests below rather than seeking to rely on any of the Company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.</p> <p>Our procedures include:</p> <ul style="list-style-type: none"> • Test of detail: Comparing the carrying amount of 100% of investments in and loans to subsidiaries with the relevant subsidiaries draft balance sheet to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount or whether they have a positive net asset value and therefore coverage of the debt owed. • Assessing transparency: We consider the appropriateness, in accordance with relevant accounting standards, of the disclosures related to Parent Company's investment in subsidiaries. <p>Our findings: We found the recoverability of the Parent Company's investment in subsidiary undertakings to be balanced (2020 finding: balanced).</p>

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £15.5m (2020: £10.5m), determined with reference to a benchmark of Group total assets, of which it represents 0.8% (2020: 0.7%).

Materiality for the Parent Company financial statements as a whole was set at £7.2m (2020: £7.8m), determined with reference to a benchmark of Company total assets, of which it represents 0.8% (2020: 0.7%).

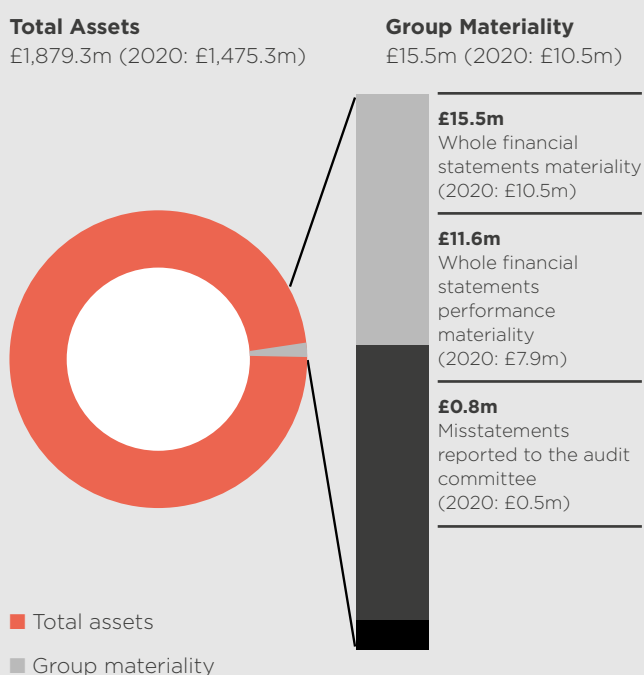
In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality was set at 75% (2020: 75%) of materiality for the financial statements as a whole, which equates to £11.6m (2020: £7.9m) for the Group and £5.4m (2020: £5.8m) for the Parent Company. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.8m (2020: £0.5m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

The scope of the audit work performed was fully substantive as we did not rely upon the Group's internal control over financial reporting.

The Group team performed the audit of the Group as if it was a single aggregated set of financial information. The audit was performed using the materiality and performance materiality levels set out above.



4. The impact of climate change on our audit

In planning our audit we have considered the potential impacts of climate change on the Group's business and its financial statements.

Climate change impacts the Group principally through the valuation of investments and through potential reputational risk associated with the Group's strategy. The Group's exposure to climate change is primarily through the portfolio companies, as the key valuation assumptions and estimates could be impacted by climate risks, for example where a new low carbon technology is more likely to attract greater investment, this is most apparent in the Cleantech investments.

As part of our audit we have made enquiries of directors to understand the extent of the potential impact of climate change risk on the Group's financial statements and the Group's preparedness. We have performed a risk assessment of how the impact of climate change may affect the financial statements and our audit, in particular over the valuation of unquoted investments and the related key audit matter above. We held discussions with our own climate change professionals to challenge our risk assessment.

Given the nature of the current investment portfolio, the valuation methods and investment strategy of the Group, we consider that climate risks do not have a significant effect on our key audit matters.

We have read the disclosure of climate related information in the front half of the annual report and considered consistency with the financial statements and our audit knowledge.

5. Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group's and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Company's available financial resources and metrics relevant to debt covenants over this period were:

- Significant additional funding being made into current and future investee companies;
- Reduction in realisations over the period including of listed investments.

We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by comparing severe, but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources and covenants indicated by the Group's financial forecasts.

We considered whether the going concern disclosure in note 1 to the financial statements gives a full and accurate description of the Directors' assessment of going concern.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period;
- we have nothing material to add or draw attention to in relation to the directors' statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for the going concern period, and we found the going concern disclosure in note 1 to be acceptable; and
- the related statement under the Listing Rules set out on page 147 is materially consistent with the financial statements and our audit knowledge.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

6. Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- enquiring of the Audit and Risk Committee and Executive management as to the Group's policies and procedures to prevent and detect fraud as well as enquiring whether they have knowledge of any actual, suspected or alleged fraud;
- reading minutes of meetings of those charged with governance.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account our overall knowledge of the control environment, we performed procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because revenue streams are simple in nature with respect to accounting policy choice, and are easily verifiable to external data sources or agreements with little or no requirement for estimation from management.

We did not identify any additional fraud risks.

Independent auditor's report continued

to the members of IP Group plc

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with those charged with governance (as required by auditing standards), and discussed with management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation including the Substantial Shareholding Exemption ("SSE") and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: liquidity and certain aspects of company legislation recognising the nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

7. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of emerging and principal risks and longer-term viability

We are required to perform procedures to identify whether there is a material inconsistency between the directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the viability statement on page 62 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Risk and internal controls on page 52 disclosures describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and
- the directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the viability statement, set out on page 52 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- the section of the annual report describing the work of the Audit Committee, including the significant issues that the audit committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.

We are required to review the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review, and to report to you if a corporate governance statement has not been prepared by the Company. We have nothing to report in this respect.

Based solely on our work on the other information described above:

- with respect to the Corporate Governance Statement disclosures about internal control and risk management systems in relation to financial reporting processes and about share capital structures:
 - we have not identified material misstatements therein; and
 - the information therein is consistent with the financial statements; and
- in our opinion, the Corporate Governance Statement has been prepared in accordance with relevant rules of the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority.

8. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

9. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on pages 144 to 147, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

10. The purpose of our audit work and to whom we owe our responsibilities

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

Jonathan Martin (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
London, E14 5GL
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.

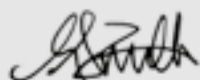
Consolidated statement of financial position

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
Receivables 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
Receivables 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 156 to 159 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 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
IFRS 3 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					Non-controlling interest ⁽ⁱⁱⁱ⁾	Total equity £m
	Share capital	Share premium ⁽ⁱ⁾ £m	Retained earnings ⁽ⁱⁱ⁾ £m	Total £m	Total £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 ^(vii)	-	0.8	-	0.8	-	0.8	
Purchase of treasury shares ^(viii)	-	-	(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) 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.

^(viii) 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.

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 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 twelve months from the approval date of the accounts. For further details see the Group's viability statement on page 62.

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

IFRS 10 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 IFRS 10 consolidation principles for each group of entities as follows:

(i) Subsidiaries

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

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

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

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

1. Accounting policies **continued**

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

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 judgements in the preparation of these accounts relate to the valuation of unquoted investments. Investments in these Limited and Limited Liability Partnerships are recognised at fair value through profit and loss in accordance with IFRS 9.

Notes to the consolidated financial statements

continued

1. Accounting policies **continued**

(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 page 44, and on behalf of Australian superannuation fund Hostplus. In both cases, the Group has no direct beneficial interest in the assets being managed, and therefore its sole exposure to variable returns relates to performance fees payable on exits above a specified hurdle. As a result, the Group is not deemed to control these managed assets and they are not consolidated.

(v) Non-controlling interests

The total comprehensive income, assets and liabilities of non-wholly owned entities are attributed to owners of the parent and to the non-controlling interests in proportion to their relative ownership interests. 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 (i) Subsidiaries above). Both the identifiable net assets and the consideration transferred in the acquisition are measured at fair value at the date of acquisition and transaction costs are expensed as incurred. Goodwill arising on acquisitions is tested at least annually for impairment. In instances where the Group owns a non-controlling stake prior to acquisition the step acquisition method is applied, and any gain or losses on the fair value of the pre-acquisition holding is recognised in the consolidated statement of comprehensive income.

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 IFRS 15 have not been presented as they are considered immaterial. Revenue from services and other income comprises:

Fund management services

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

Licence and royalty income

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

Advisory and corporate finance fees

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

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.

1. Accounting policies **continued**

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 via 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.

Notes to the consolidated financial statements

continued

1. Accounting policies **continued**

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 is 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 are 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 judgement (although the fair value of the portfolio is a significant accounting estimate). The actual amounts of carried interest paid will depend on the cash realisations of individual vintages, and valuations may change significantly in the next financial year. Movements in the liability are recognised in the consolidated statement of comprehensive income (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 they have sufficient capital to satisfy these requirements. The Group ensures it remains compliant with these requirements as described in their respective financial statements.

1. Accounting policies *continued*

Employee benefits

(i) Pension obligations

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

(ii) Share-based payments

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

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

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

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

See the Directors' Remuneration Report on pages 114 to 138 and note 22 for further details.

Deferred tax

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

2. Financial risk management

As set out in the principal risks and uncertainties section on pages 52 to 63, 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

Notes to the consolidated financial statements

continued

2. Financial risk management continued

(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
Receivables 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.

2. Financial risk management *continued*

	2021 £m	2020 £m
Credit rating		
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 three 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 judgement are exercised include:

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

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

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

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 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 has 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 judgement, 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 resulting 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.

Notes to the consolidated financial statements

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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:

- the commercialisation of intellectual property via the formation of long-term partner relationships with universities;
- 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 on pages 8 to 88.

	University partnership business £m	Venture capital fund management £m	Consolidated £m
Year ended 31 December 2021			
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)

5. Operating segments *continued*

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)

Notes to the consolidated financial statements

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5. Operating segments *continued*

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 £000	2020 ¹ £000
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 reflect 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
IFRS 3 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). Details of the directors' remuneration can be found in the Directors' Remuneration Report on pages 126 to 130.

10. Taxation

	2021 £m	2020 ⁽¹⁾ £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

⁽¹⁾ 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

Notes to the consolidated financial statements

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10. Taxation *continued*

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

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

	2021 Number of shares	2020 Number of shares
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

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

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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)	-
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 nine months. In 2021, we have reverted to using twelve 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

13. Equity and debt investments **continued**

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

For valuations based primarily on future market/commercial events

- Financing and 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 (see TCFD disclosures on page 74) 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 and 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.

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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 a 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

	2021 £m	2020 £m
Current assets		
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 in 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

	2021 £m	2020 £m
Current liabilities		
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

	2021	2020
	£m	£m
Current liabilities		
EIB debt facility	15.4	15.4
	15.4	15.4
Non-current liabilities		
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 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 an 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.

Notes to the consolidated financial statements

continued

18. Borrowings **continued**

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 licences, 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 licences 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 crystallised on sale of the linked portfolio equity investment.

20. Share capital

Issued and fully paid:	2021		2020	
	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)

Notes to the consolidated financial statements

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22. Share-based payments

In 2021, the Group continued to incentivise employees through its LTIP and AIS. Both are described in more detail in the Directors' Remuneration Report on pages 114 to 138.

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. Further information on the Group's LTIP is set out in the Directors' Remuneration Report on pages 132 to 133.

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.

22. Share-based payments *continued*

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 3.33p 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 290p by the exchange ratio detailed above. The TTO specific targets remain the same.

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22. Share-based payments *continued*

	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 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 intercompany 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)

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25. Non-controlling interests **continued**

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 and equity stakes in portfolio companies.

a) Key management transactions

i) Key management personnel transactions

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

26. Related party transactions *continued*

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	%
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%
	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%

Notes to the consolidated financial statements

continued

26. Related party transactions **continued**

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	%
	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 ¹⁶	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 Surgical 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%
	Mirriad Advertising plc	16,667	-	16,667	<0.1%
	Mixergy Limited	-	206	206	0.03%
	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				

26. Related party transactions *continued*

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	-	1,585	<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 ^{12,4}	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 ¹⁶	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%

Notes to the consolidated financial statements

continued

26. Related party transactions continued

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%
	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 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 arm's length transactions. The following amounts have been included in respect of these fees:

	2021 £m	2020 £m
Statement of comprehensive income		
Revenue from services	0.3	0.2
Statement of financial position		
Trade receivables	0.2	0.3

26. Related party transactions *continued*

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	2020
	£m	£m
Net portfolio gains	56.5	20.9

Statement of financial position	2021	2020
	£m	£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	2020
	£m	£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

Notes to the consolidated financial statements

continued

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	2020
				£m	£m
NAV per share^(a)	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
			Shares in issue	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. 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
			IFRS 3 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. 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.	Change in fair value of equity and debt investments	415.9	148.9
			Gain on disposal of equity investments	81.5	82.5
			Net portfolio gains	497.4	231.4

30. Alternative performance measures (“APM”) *continued*

APM	Reference for reconciliation	Definition and purpose	Calculation		
			2021 £m	2020 £m	
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
			IFRS 3 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 give a view of the Group’s liquid resources on a short-term timeframe. The Group’s Treasury Policy has a maximum maturity limit of 13 months for deposits.	Cash and cash equivalents	105.7	127.6
			Deposit	216.2	142.7
			Cash	321.9	270.3

^① In prior years Hard NAV was used to measure performance, now due to the immaterial size of intangible assets this has been replaced by NAV as the most appropriate measure.

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.

Company balance sheet

As at 31 December 2021

	Note	2021 £m	2020 £m
ASSETS			
Non-current assets			
Investment in subsidiary undertakings	3	326.7	326.6
Equity and debt investments	4	3.5	0.8
Other investments	5	2.7	2.1
Loans to subsidiary undertakings: long term	6	470.1	-
Total non-current assets		803.0	329.5
Current assets			
Debtors: amounts falling due within one year		-	0.3
Trade and other receivables		-	0.3
Loans to subsidiary undertakings: short term	6	103.0	619.4
Total current assets		103.0	619.7
Total assets		906.0	949.2
EQUITY AND LIABILITIES			
Capital and reserves			
Called up share capital	7	21.3	21.3
Share premium account	7	102.7	101.9
Retained earnings	7	769.5	807.5
Total equity attributable to equity holders		893.5	930.7
Current liabilities			
Trade and other payables		0.4	0.3
EIB debt facility		6.1	6.2
Total current liabilities		6.5	6.5
Non-current liabilities			
EIB debt facility		6.0	12.0
Total non-current liabilities		6.0	12.0
Total liabilities		12.5	18.5
Total equity and liabilities		906.0	949.2

Registered number: 4204490

The Company has taken advantage of the exemption granted by Section 408 of the Companies Act 2006 whereby no individual income statement of the Company is disclosed. The Company's profit for the financial year was £2.4m (Loss: 2020: £20.1m)

The accompanying notes form an integral part of the financial statements. The financial statements on pages 192 to 193 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

Company statement of changes in equity

As at 31 December 2021

	Share capital £m	Share premium ⁽ⁱ⁾ £m	Retained earnings ⁽ⁱⁱ⁾ £m	Total £m
At 1 January 2020	21.2	100.0	814.2	935.4
Comprehensive income	-	-	(20.1)	(20.1)
Issue of shares	0.1	1.9	-	2.0
Equity-settled share-based payments ⁽ⁱⁱⁱ⁾	-	-	13.4	13.4
At 1 January 2021	21.3	101.9	807.5	930.7
Comprehensive income	-	-	2.4	2.4
Scrip dividend shares issued and shares waived	-	0.8	-	0.8
Ordinary dividends ^(iv)	-	-	(15.8)	(15.8)
Purchase of treasury shares	-	-	(27.2)	(27.2)
Equity-settled share-based payments ⁽ⁱⁱⁱ⁾	-	-	2.6	2.6
At 31 December 2021	21.3	102.7	769.5	893.5

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

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

⁽ⁱⁱⁱ⁾ Equity-settled share-based payments - amounts recognised in respect of the Group's share-based payments schemes recognised as a subsidiary investment in the Company accounts with a corresponding entry against equity.

^(iv) 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.

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

Notes to the company financial statements

1. Accounting policies

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

Under section s408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures: a cash flow statement and related notes; disclosures in respect of transactions with wholly owned subsidiaries; disclosures in respect of capital management; the effects of new but not yet effective IFRSs; and disclosures of compensation of key management personnel.

As the consolidated financial statements include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures: IFRS 2 Share-Based Payments in respect of Group-settled share-based payments; and certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

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

Subsidiary investments

Investments in subsidiaries are stated at cost less, where appropriate, provision for impairment. The Company tests the investment balances for impairment annually or whenever there is an indication that the value of carrying amount may not be recoverable.

Equity and debt investments

Investments are held at fair value through profit and loss vision for impairment in value and are held for long-term investment purposes.

The valuation methods applied are the same as those at the Group level; details of which can be found in note 1 to the Group's financial accounts on pages 160 to 165.

Intercompany loans

All intercompany loans are initially recognised at fair value and subsequently measured at amortised cost. Where intercompany loans are intended for use on a continuing basis in the Company's activities, and there is no intention of their settlement in the foreseeable future, they are presented as fixed assets.

Financial instruments

Currently the Company does not enter into derivative financial instruments. Financial assets and financial liabilities are recognised and cease to be recognised on the basis of when the related titles pass to or from the Company.

Share-based payments

The Group operates a number of equity-settled share-based compensation schemes under which the employing subsidiary within the Group receives services from employees as consideration for equity instruments in IP Group plc. For further details on these schemes, see note 22 in the Group accounts. When options are exercised, the company issues new shares. The proceeds received net of any directly attributable costs are credited to share capital (nominal value) and the balance to share premium. In the Company financial statements, the grant of share options is treated as a capital contribution. Specifically, the fair value of employee services received (measured at the date of grant) is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity financial statements.

2. Significant accounting estimates

(i) Valuation of subsidiary investments

The Company tests the investment balances for impairment annually or whenever there is an indication that the value of carrying amount may not be recoverable. In light of the fact that the majority of the assets in the Company's subsidiaries are recorded at fair value, subsidiary net assets are taken as an approximation of their minimum recoverable amount. If the carrying value of an investment in a subsidiary is in excess of the minimum recoverable amount, the value of the investment is impaired.

3. Investments in subsidiary undertakings

	£m
At 1 January 2021	326.6
Investment in respect of share-based payments	2.6
Impairment of subsidiary undertakings in the year	(2.5)
At 31 December 2021	326.7

Details of the Company's subsidiary undertakings as at 31 December 2021 are detailed in note 10 to the Company financial statements.

4. Equity and debt investments

	£m
At 1 January 2021	0.8
Fair value gains in the year	2.9
Disposals in the year	(0.2)
At 31 December 2021	3.5

Details of the Company's associated undertakings and significant holdings as at 31 December 2021 are disclosed in note 10 to the Company financial statements.

5. Other investments

	£m
At 1 January 2021	2.1
Fair value gain during the year	0.6
At 31 December 2021	2.7

Other investments relate to the Group's 17.7% partnership interest in Technikos LLP, see notes 1 and 24 of the Group accounts for further details.

6. Loans to subsidiary undertakings

	£m
At 1 January 2021	619.4
Repayment of loans by subsidiary undertakings during the year	(46.3)
At 31 December 2021	573.1

	2021 £m	2020 £m
Current	103.0	619.4
Non-current	470.1	-
At 31 December 2021	573.1	619.4

The amounts due from subsidiary undertakings are interest free, repayable on demand and unsecured. Loans classified as non-current are not expected to be recalled within one year.

Given the nature of the subsidiary undertakings to which they relate, the Company considers expected credit losses on the Company's receivables to be less than £0.1m and therefore not disclosed further (2020: under £0.1m).

7. Share capital and reserves

	Share capital £m	Share premium £m	Profit and loss reserve £m
At 1 January 2021	21.3	101.9	807.5
Loss for the year	-	-	2.3
Scrip dividend shares issued and shares waived	-	0.8	-
Purchase of treasury shares	-	-	(27.2)
Ordinary dividends	-	-	(15.7)
Equity-settled share-based payments	-	-	2.6
At 31 December 2021	21.3	102.7	769.5

Details of the Company's authorised share capital and changes in its issued share capital can be found in note 20 to the consolidated financial statements. Details of the movement in the share premium account can be found in the consolidated statement of changes in equity.

8. Profit and loss account

As permitted by Section 408 of the Companies Act 2006, the Company's profit and loss account has not been included in these financial statements. The Company's profit for the year was £2.4m (2020: loss of £20.1m).

Details of the auditor's remuneration are disclosed in note 6 to the consolidated financial statements.

Notes to the company financial statements

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9. Directors' emoluments, employee information and share-based payments

The remuneration of the directors is borne by Group subsidiary undertakings. Full details of their remuneration can be found in the Directors' Remuneration Report on pages 114 to 124.

Full details of the share-based payments charge and related disclosures can be found in note 22 to the consolidated financial statements.

The Company had no employees during 2021 or 2020.

10. Details of subsidiary undertakings

Name of subsidiary undertakings	Proportion of ownership interest % ⁽ⁱ⁾	Proportion of voting power held % ⁽ⁱ⁾	Proportion of nominal value held %	Held by Parent/Group
IP2IPO Limited	100.0	100.0	100.0	Direct
IP2IPO Carry Partner Limited	100.0	100.0	100.0	Indirect
IP2IPO Americas Limited	100.0	100.0	100.0	Indirect
IP2IPO US Partners Limited	100.0	100.0	100.0	Indirect
Top Technology Ventures Limited ⁽ⁱⁱⁱ⁾	100.0	100.0	100.0	Direct
Fusion IP Sheffield Limited ⁽ⁱⁱ⁾	100.0	100.0	100.0	Indirect
Fusion IP Cardiff Limited ⁽ⁱⁱ⁾	100.0	100.0	100.0	Indirect
IP Venture Fund II (GP) LLP ⁽ⁱⁱⁱ⁾	100.0	100.0	100.0	Indirect
IP Ventures (Scotland) Limited ⁽ⁱⁱ⁾	100.0	100.0	100.0	Indirect
IP2IPO Portfolio (GP) Limited ⁽ⁱⁱⁱ⁾	100.0	100.0	100.0	Indirect
IP2IPO Portfolio LP	100.0	100.0	100.0	Indirect
IP Capital Limited ⁽ⁱⁱ⁾	100.0	100.0	100.0	Indirect
IP2IPO Asia-Pacific Limited	100.0	100.0	100.0	Direct
IP Group Greater China Limited	100.0	100.0	100.0	Indirect
IP2IPO ANZ Carry Limited ⁽ⁱⁱ⁾	100.0	100.0	100.0	Indirect
Transition Ventures Limited ⁽ⁱⁱ⁾	100.0	100.0	100.0	Indirect
IP2IPO Australia Pty Limited	100.0	100.0	100.0	Indirect
IP2IPO Australia HP Pty Limited	100.0	100.0	100.0	Indirect
IP2IPO Australia Management Pty Limited	100.0	100.0	100.0	Indirect
IP2IPO Australia GP Pty Limited	100.0	100.0	100.0	Indirect
IP2IPO Australia CT Pty Limited	100.0	100.0	100.0	Indirect
IP2IPO Australia VCMP LP	100.0	100.0	100.0	Indirect
IP2IPO Australia VCLP No 1 LP	100.0	100.0	100.0	Indirect
Parkwalk Advisors Limited	100.0	100.0	100.0	Direct
Touchstone Innovations Limited	100.0	100.0	100.0	Indirect
IP2IPO Innovations Limited	100.0	100.0	100.0	Indirect
Innovations Limited Partner Limited	100.0	100.0	100.0	Indirect
IP2IPO Company Maker Limited	100.0	100.0	100.0	Indirect
Touchstone Innovations Businesses LLP	100.0	100.0	100.0	Indirect
IPG USA (LP) Limited	100.0	100.0	100.0	Indirect
IPG USA SCO LP	100.0	100.0	100.0	Indirect
IP2IPO Nominees Limited ⁽ⁱⁱ⁾	100.0	100.0	100.0	Direct
IP2IPO Services Limited ⁽ⁱⁱ⁾	100.0	100.0	100.0	Direct
LifeUK (IP2IPO) Limited ⁽ⁱⁱ⁾	100.0	100.0	100.0	Direct
IP Industry Partners Limited ⁽ⁱⁱ⁾	100.0	100.0	100.0	Direct
Biofusion Licensing (Sheffield) Limited ^{(ii),(iv)}	100.0	100.0	100.0	Indirect
Fusion IP Nottingham Limited ^{(ii),(v)}	100.0	100.0	100.0	Indirect
Fusion IP Two Limited ^{(ii),(v)}	100.0	100.0	100.0	Indirect
Asterion Limited	66.8	66.8	66.5	Indirect
PH Therapeutics Limited ⁽ⁱⁱ⁾	60.0	60.0	60.0	Indirect
Extraject Technologies Limited ⁽ⁱⁱ⁾	60.0	60.0	60.0	Indirect
IP Venture Fund II LP ^(v)	33.3	33.3	33.3	Indirect

⁽ⁱ⁾ All holdings are via ordinary shares unless separate classes are specified in the table.

⁽ⁱⁱ⁾ Dormant/non-trading company.

⁽ⁱⁱⁱ⁾ Company/engaged in fund management activity.

^(iv) Acquired as part of the Fusion IP plc acquisition.

^(v) As detailed in note 1 to the Group financial statements, though less than 33.3% of beneficial and nominal interest is held by the Group, the Group's position as fund manager to IP Venture Fund II LP means the Group fulfils the control criteria set out in IFRS 10 and the fund is thus consolidated.

^(vi) Not consolidated due to immateriality.

All companies above have their registered offices at 2nd Floor 3 Pancras Square, Kings Cross, London, England, NIC 4AG, unless separately listed on the following page.

IP Ventures (Scotland) Limited: 50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ.

Asterion Limited: Windsor House, Cornwall Road, Harrogate, England, HG1 2PW.

PH Therapeutics Limited: Windsor House, Cornwall Road, Harrogate, England, HG1 2PW.

Extraject Technologies Limited: Windsor House, Cornwall Road, Harrogate, England, HG1 2PW.

Parkwalk Advisors Ltd: Warwick House, 25 Buckingham Palace Road, London, SW1W 0PP.

IP2IPO Australia Pty Limited: Level 35, 360 Elizabeth Street, Melbourne, VIC 3000, Australia.

IP Group Greater China Limited: 6/F Alexandra House, 18 Chater Road, Central Hong Kong.

IP2IPO Australia HP Pty Limited: Level 35, 360 Elizabeth Street, Melbourne, VIC 3000, Australia.

IP2IPO Australia Management Pty Limited: Level 35, 360 Elizabeth Street, Melbourne, VIC 3000, Australia.

IP2IPO Australia GP Pty Limited: Level 35, 360 Elizabeth Street, Melbourne, VIC 3000, Australia.

IP2IPO Australia CT Pty Limited: Level 35, 360 Elizabeth Street, Melbourne, VIC 3000, Australia.

IP2IPO Australia VCMP LP: Level 35, 360 Elizabeth Street, Melbourne, VIC 3000, Australia.

IP2IPO Australia VCLP No 1 LP: Level 35, 360 Elizabeth Street, Melbourne, VIC 3000, Australia.

IPG USA SCO LP: 13 Queens Road, Aberdeen, AB15 4YL.

All companies above are incorporated in England and Wales with the exception of IP Ventures (Scotland) Limited incorporated in Scotland, IP Group Inc, IP2IPO Australia Pty Limited, IP2IPO Australia HP Pty Limited, IP2IPO Australia Management Pty Limited, IP2IPO Australia GP Pty Limited, IP2IPO Australia CT Pty Limited, IP2IPO Australia VCMP LP and IP2IPO Australia VCLP No 1 LP which were incorporated in Australia and IP Group Greater China Limited incorporated in Hong Kong.

All companies above undertake the activity of commercialising intellectual property unless stated otherwise. All companies are consolidated into the Group's financial performance and position following the acquisition method bar those specified which are omitted due to being immaterial.

Notes to the company financial statements

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11. Details of significant holdings and associated undertakings

Name of undertaking	Registered address	Proportion of nominal value held % ⁽ⁱ⁾	Held by Parent/Group ⁽ⁱⁱ⁾
Accelercomm Limited	Ground Floor Epsilon House Enterprise Road, Chilworth, Southampton, England, SO16 7NS	32.84%	Group
Ordinary Shares (Accelercomm Limited)		35.36%	Group
Ordinary A Shares (Accelercomm Limited)		30.87%	Group
Alesi Surgical Limited	Cardiff Medicentre, Heath Park, Cardiff, United Kingdom, CF14 4UJ	31.99%	Group
Preferred B Shares (Alesi Surgical Limited)		28.06%	Group
Ordinary Shares (Alesi Surgical Limited)		56.98%	Group
Preferred Ordinary Shares (Alesi Surgical Limited)		40.29%	Group
Preferred C Shares (Alesi Surgical Limited)		42.01%	Group
A Shares (Alesi Surgical Limited)		100.00%	Group
Amaethon Limited	Popeshead Court Offices, Peter Lane, York, YO1 8SU, United Kingdom	27.62%	Group
A Ordinary Shares (Amaethon Limited)		52.87%	Group
B Shares (Amaethon Limited)		27.62%	Group
AnywhereHPLC Limited ⁽ⁱⁱⁱ⁾	52 Princes Gate, Exhibition Road, London, United Kingdom, SW7 2PG	50.00%	Group
Ordinary Shares (AnywhereHPLC Limited)		50.00%	Group
Aperio Pharma Limited	3 Pancras Square, London, United Kingdom, NIC 4AG	46.15%	Group
Ordinary Shares (Aperio Pharma Limited)		46.15%	Group
Aqdot Limited	Lab 1 Iconix 2 Iconix Park, London Road, Cambridge, United Kingdom, CB22 3EG	29.19%	Group
Preference Shares (Aqdot Limited)		39.37%	Group
Arkivum Limited	85 Great Portland Street, London, United Kingdom, W1W 7LT	30.49%	Group
Ordinary Shares (Arkivum Limited)		35.15%	Group
A Ordinary shares (Arkivum Limited)		25.72%	Group
Art of Xen Limited ⁽ⁱⁱⁱ⁾	NHS Liaison Unit, 4th Floor, Mckenzie House, 30-36 Newport Road, Cardiff, United Kingdom, CF24 ODE	99.78%	Group
A Preference Shares (Art of Xen Limited)		100.00%	Group
B Preference Shares (Art of Xen Limited)		100.00%	Group
Deferred Shares (Art of Xen Limited)		100.00%	Group
Atazoa Limited	Skempton Building, Imperial College Room 205, Skempton Building, Imperial College, London, United Kingdom, SW7 2AZ	24.94%	Group
Ordinary Shares (Atazoa Limited)		49.85%	Group
AudioScenic Limited	Suite A, Epsilon House Enterprise Road, Southampton Science Park, Southampton, United Kingdom, SO16 7NS	33.21%	Group
Ordinary Shares (AudioScenic Limited)		38.45%	Group
A Ordinary Shares (AudioScenic Limited)		33.14%	Group
Autifony Therapeutics Limited	Stevenage Bioscience Catalyst, Gunnels Wood Road, Stevenage, Hertfordshire, United Kingdom, SG1 2FX	26.47%	Group
A3 Preference Shares (Autifony Therapeutics Limited)		35.53%	Group
Ordinary Shares (Autifony Therapeutics Limited)		1.73%	Group
A Preference Shares (Autifony Therapeutics Limited)		38.40%	Group
Azuri Technologies Limited	St. John's Innovation Centre, Cowley Road, Cambridge, United Kingdom, CB4 0WS	42.42%	Group
A Preference Shares (Azuri Technologies Limited)		45.33%	Group
Ordinary shares (Azuri Technologies Limited)		37.45%	Group
Boxarr Limited	Windsor House, Cornwall Road, Harrogate, England, HG1 2PW	45.43%	Group
Ordinary Shares (Boxarr Limited)		45.43%	Group

Name of undertaking	Registered address	Proportion of nominal value held % ⁽ⁱ⁾	Held by Parent/Group ⁽ⁱⁱ⁾
Bramble Energy Limited	6 Satellite Business Village, Fleming Way, Crawley, United Kingdom, RH10 9NE	29.96%	Group
Ordinary Shares (Bramble Energy Limited)		32.88%	Group
A Ordinary Shares (Bramble Energy Limited)		30.91%	Group
Cardian Limited ⁽ⁱⁱⁱ⁾	30 Broad Street, Great Cambourne, Cambridge, United Kingdom, CB23 6HJ	53.74%	Group
A Preference Shares (Cardian Limited)		100.00%	Group
Ordinary Shares (Cardian Limited)		13.58%	Group
Ordinary Shares 2 - Revenue shares (Cardian Limited)		100.00%	Group
Cardiovascular Imaging Solutions Limited	Suite 19 Maple Court, Grove Park, Maidenhead, Berkshire, United Kingdom, SL6 3LW	24.90%	Group
Ordinary Shares (Cardiovascular Imaging Solutions Limited)		24.90%	Group
C-Capture Limited	Windsor House, Cornwall Road, Harrogate, England, HG1 2PW	36.93%	Group
Ordinary Shares (C-Capture Limited)		36.30%	Group
Series A Preference Shares - Non voting (C-Capture Limited)		100.00%	Group
Series A Preference Shares (C-Capture Limited)		37.01%	Group
Ceryx Medical Limited	4th Floor, 14, Museum Place, Cardiff, United Kingdom, CF10 3BH	20.55%	Group
Ordinary Shares (Ceryx Medical Limited)		12.11%	Group
A Ordinary Shares (Ceryx Medical Limited)		26.76%	Group
Chromosol Limited	27 Churchgate Street, Bury St Edmunds, Suffolk, United Kingdom, IP33 1RG	34.62%	Group
Ordinary Shares (Chromosol Limited)		34.62%	Group
Creavo Medical Technologies Limited	Cel House, Westwood Way, Westwood Business Park, Coventry, United Kingdom, CV4 8HS	37.83%	Group
A Shares (Creavo Medical Technologies Limited)		100.00%	Group
Ordinary Shares (Creavo Medical Technologies Limited)		38.24%	Group
Crysalin Limited	The White Building, 1-4 Cumberland Place, Southampton, United Kingdom, SO15 2NP	25.34%	Group
Ordinary Shares (Crysalin Limited)		27.03%	Group
DeepMatter Group plc	St Brandon's House, Great George Street, Bristol, United Kingdom, BS1 5QT	22.17%	Group
Ordinary Shares (DeepMatter Group plc)		22.17%	Group
Defenition Limited	Windsor House, Cornwall Road, Harrogate, United Kingdom, HG1 2PW	49.50%	Group
Ordinary Shares (Defenition Limited)		48.48%	Group
B Ordinary Shares (Defenition Limited)		100.00%	Group
Diurnal Group plc	Cardiff Medicentre, Heath Park, Cardiff, United Kingdom, CF14 4UJ	29.50%	Group
Ordinary Shares (Diurnal Group plc)		29.50%	Group
Econic Technologies Limited	Block 19s Alderley Park, Macclesfield, Cheshire, United Kingdom, SK10 4TG	47.22%	Group
A Preference Shares (Econic Technologies Limited)		41.18%	Group
B Preference Shares (Econic Technologies Limited)		50.00%	Group
C Preference Shares (Econic Technologies Limited)		42.86%	Group
Ordinary Shares (Econic Technologies Limited)		8.06%	Group
A Ordinary Shares (Econic Technologies Limited)		86.31%	Group
Edgetic Limited	Saxon House, Saxon Way, Cheltenham, United Kingdom, GL52 6QX	48.97%	Group
Ordinary Shares (Edgetic Limited)		55.80%	Group
B Ordinary Shares (Edgetic Limited)		100.00%	Group

Notes to the company financial statements

continued

11. Details of significant holdings and associated undertakings continued

Name of undertaking	Registered address	Proportion of nominal value held % ⁽ⁱ⁾	Held by Parent/Group ⁽ⁱⁱ⁾
Emdot Limited	The Walbrook Building, 25 Walbrook, London, United Kingdom, EC4N 8AF	26.27%	Group
Ordinary Shares (Emdot Limited)		26.27%	Group
Enterprise Therapeutics Holdings Ltd	Sussex Innovation Centre Science Park Square, Falmer, Brighton, United Kingdom, BN1 9SB	21.73%	Group
Series A Shares (Enterprise Therapeutics Holdings Limited)		47.60%	Group
Series B Shares (Enterprise Therapeutics Holdings Limited)		16.38%	Group
FaultCurrent Limited	2 Sovereign Quay, Havannah Street, Cardiff, CF10 5SF, United Kingdom	35.75%	Group
Ordinary Shares (FaultCurrent Limited)		35.75%	Group
A Shares (FaultCurrent Limited)		35.80%	Group
First Light Fusion Limited	Unit 10 Mead Road, Yarnton, Kidlington, Oxfordshire, United Kingdom, OX5 1QU	28.41%	Group
Ordinary Shares (First Light Fusion Limited)		29.21%	Group
Fluid Pharma Limited	Windsor House, Cornwall Road, Harrogate, United Kingdom, HG1 2PW	40.35%	Group
B Ordinary Shares (Fluid Pharma Limited)		87.06%	Group
Ordinary Shares (Fluid Pharma Limited)		39.56%	Group
Garrison Technology Limited	117 Waterloo Road, London, United Kingdom, SE1 8UL	23.23%	Group
A Preference Shares (Garrison Technology Limited)		94.92%	Group
A1 Preference Shares (Garrison Technology Limited)		25.00%	Group
A2 Preference Shares (Garrison Technology Limited)		32.91%	Group
B Preference shares (Garrison Technology Limited)		13.97%	Group
Gripable Limited	Thornton House, 39 Thornton Road, London, England, SW19 4NQ	20.64%	Group
Ordinary Shares (Gripable Limited)		21.15%	Group
Hysata Pty Ltd	AiIM Building, Innovation Campus, North Wollongong NSW 2500, Australia	39.71%	Group
Ordinary Shares (Hysata Pty Ltd)		39.71%	Group
Ibex Innovations Limited	Explorer 2 - Netpark Thomas Wright Way, Sedgefield, Stockton-on-Tees, United Kingdom, TS21 3FF	38.60%	Group
Ordinary Shares (Ibex Innovations Limited)		38.60%	Group
Ileso Digital Health Limited	The Jeffreys Building, Cowley Road, Cambridge, Cambridgeshire, United Kingdom, CB4 0DS	32.23%	Group
A1 Preference Shares (Ileso Digital Health Limited)		46.61%	Group
Ordinary Shares (Ileso Digital Health Limited)		17.66%	Group
A Ordinary Shares (Ileso Digital Health Limited)		85.23%	Group
B1 Preferred Shares (Ileso Digital Health Limited)		18.49%	Group
Iksuda Therapeutics Limited	The Biosphere, Draymans Way, Newcastle Helix, Newcastle upon Tyne, United Kingdom, NE4 5BX	31.20%	Group
A Ordinary Shares (Iksuda Therapeutics Limited)		50.00%	Group
Ordinary Shares (Iksuda Therapeutics Limited)		22.55%	Group
Series A Shares (Iksuda Therapeutics Limited)		34.21%	Group
Intelligent Ultrasound Group plc	Floor 6A, Hodge House, 114-116 St Mary Street, Cardiff, United Kingdom, CF10 1DY	20.96%	Group
Ordinary Shares (Intelligent Ultrasound Group plc)		20.96%	Group
Intrinsic Semiconductor Technologies Limited	UCL Business plc, The Network Building, 97 Tottenham Court Road, London, United Kingdom, W1T 4TP	43.41%	Group
A Ordinary Shares (Intrinsic Semiconductor Technologies Ltd)		43.67%	Group

Name of undertaking	Registered address	Proportion of nominal value held % ⁽¹⁾	Held by Parent/Group ⁽²⁾
Ionix Advanced Technologies Limited	Windsor House, Cornwall Road, Harrogate, United Kingdom, HG1 2PW	29.23%	Group
B Ordinary Shares (Ionix Advanced Technologies Limited)		100.00%	Group
Ordinary Shares (Ionix Advanced Technologies Limited)		29.09%	Group
Ipalk SAS	112 rye des hautes variennes, 45200, Amilly, France	22.00%	Group
Ordinary Shares (Ipalk SAS)		22.00%	Group
Istesso Limited	3 Pancras Square, Kings Cross, United Kingdom, NIC 4AG	27.88%	Group
Ordinary Shares (Istesso Limited)		42.71%	Group
A Shares (Istesso Limited)		75.58%	Group
Jetra Therapeutics Pty Limited	St Lucia, Queensland, 4072, Australia	23.53%	Group
Ordinary Shares (Jetra Therapeutics Pty Limited)		23.53%	Group
Lixea Limited	6th Floor, One London Wall, London, United Kingdom, EC2Y 5EB	36.86%	Group
Ordinary Shares (Lixea Limited)		36.86%	Group
Magnomatics Limited	Park House, Bernard Road, Sheffield, United Kingdom, S2 5BQ	37.84%	Group
A Shares (Magnomatics Limited)		52.14%	Group
B Shares (Magnomatics Limited)		100.00%	Group
C Ordinary Shares (Magnomatics Limited)		100.00%	Group
Ordinary Shares (Magnomatics Limited)		15.34%	Group
Metabotrix Limited	10 Fern Hill, Dersingham, King's Lynn, Norfolk, United Kingdom, PE31 6HT	23.00%	Group
Ordinary Shares (Metabotrix Limited)		23.00%	Group
Microbiotica Limited	Newnham Building Chesterford Park, Little Chesterford, Cambridge, England, CB10 1XL	26.94%	Group
Seed Shares (Microbiotica Limited)		39.82%	Group
Mixergy Limited	30 Upper High Street, Thame, Oxfordshire, United Kingdom, OX9 3EZ	26.85%	Group
Ordinary Shares (Mixergy Limited)		27.36%	Group
A Ordinary Shares (Mixergy Limited)		22.00%	Group
Nascent Limited ⁽³⁾	3 Field Court, London, WC1R 5EF, United Kingdom	73.22%	Group
Preference Shares (Nascent Limited)		100.00%	Group
Ordinary Shares (Nascent Limited)		50.00%	Group
NGenics Global Limited	The Catalyst Baird Lane, Heslington, York, North Yorkshire, United Kingdom, YO10 5GA	29.61%	Group
Ordinary Shares (NGenics Global Limited)		29.61%	Group
Oxehealth Limited	Magdalen Centre North, Oxford Science Park, Oxford, United Kingdom, OX4 4GA	30.50%	Group
Ordinary Shares (Oxehealth Limited)		30.54%	Group
Oxford Biotrans Limited	30 Upper High Street, Thame, Oxfordshire, United Kingdom, OX9 3EZ	42.28%	Group
Ordinary Shares (Oxford Biotrans Limited)		13.72%	Group
Seed Preferred (Oxford Biotrans Limited)		70.45%	Group
OxSyBio Limited	The Walbrook Building, 25 Walbrook, London, United Kingdom, EC4N 8AF	45.17%	Group
A Shares (OxSyBio Limited)		100.00%	Group
Ordinary Shares (OxSyBio Limited)		45.85%	Group
Preference shares (OxSyBio Limited)		40.00%	Group
Oxular Limited	Magdalen Centre, Robert Robinson Avenue, Oxford, United Kingdom, OX4 4GA	27.24%	Group
A Preference Shares (Oxular Limited)		56.19%	Group
A1 Preference Shares (Oxular Limited)		17.70%	Group

Notes to the company financial statements

continued

11. Details of significant holdings and associated undertakings continued

Name of undertaking	Registered address	Proportion of nominal value held % ⁽ⁱ⁾	Held by Parent/Group ⁽ⁱⁱ⁾
Perlemax Limited	318 Broad Lane, Kroto Innovation Centre, Sheffield, South Yorkshire, England, S3 7HQ	34.46%	Group
Ordinary Shares (Perlemax Limited)		34.46%	Group
Reinifer Limited	9th Floor 107 Cheapside, London, United Kingdom, EC2V 6DN	22.88%	Group
Seed Preference Shares (Reinifer Limited)		73.26%	Group
RFC Power Limited	Windsor House, Cornwall Road, Harrogate, United Kingdom, HG1 2PW	37.42%	Group
Ordinary Shares (RFC Power Limited)		34.12%	Group
T Ordinary Shares (RFC Power Limited)		100.00%	Group
Riotech Pharmaceuticals Limited	49 Arrivato Plaza, Hall Street, St Helens, United Kingdom, WA10 1GH	24.00%	Group
Ordinary Shares (Riotech Pharmaceuticals Limited)		24.00%	Group
Spinetic Energy Limited	The Old Post Office, 41-43 Market Place, Chippenham, Wiltshire, United Kingdom, SN15 3HR	29.61%	Group
Ordinary Shares (Spinetic Energy Limited)		29.61%	Group
Sweetgen Limited	PO Box Suite 51, 235 Sweetgen Ltd, Suite 51, Earls Court Road, London, England, SW5 9FE	50.00%	Group
Ordinary Shares (Sweetgen Limited)		50.00%	Group
Telectica Limited	49 Burnham Road, St. Albans, Hertfordshire, United Kingdom, AL1 4QN	26.35%	Group
Seed Preferred Shares (Telectica Limited)		90.53%	Group
Therapeutic Frontiers Limited	73 Elmsleigh Road Twickenham, London, United Kingdom, TW2 5EF	25.84%	Group
Ordinary Shares (Therapeutic Frontiers Limited)		25.84%	Group
Topivert Limited	1 More London Place, London, SE1 2AF, United Kingdom	28.75%	Group
Ordinary Shares (Topivert Limited)		1.75%	Group
A Ordinary Shares (Topivert Limited)		37.78%	Group
Series B1 Preferred Shares (Topivert Limited)		34.00%	Group
Series B2 Preferred Shares (Topivert Limited)		37.14%	Group
TriboSim Limited	49 Station Road Tribosim Ltd, Polegate, East Sussex, United Kingdom, BN26 6EA	22.50%	Group
Ordinary Shares (TriboSim Limited)		22.50%	Group
Ubiquigent Limited	Dundee University Incubator Dundee Technopole, James Lindsay Place, Dundee, United Kingdom, DD1 5JJ	37.56%	Group
Ordinary Shares (Ubiquigent Limited)		37.56%	Group
Uniphy Limited	Nexus, Discovery Way, Leeds, United Kingdom, LS2 3AA	39.04%	Group
Ordinary Shares (Uniphy Limited)		39.05%	Group
A Shares (Uniphy Limited)		16.00%	Group
Zeetta Networks Limited	First Floor, Templeback, 10 Temple Back, Bristol, United Kingdom, EC4N 8AF	21.82%	Group
Ordinary Shares (Zeetta Networks Limited)		12.35%	Group
Preference Shares (Zeetta Networks Limited)		25.44%	Group
Zihipp Limited	Da Vinci House, Basing View, Basingstoke, Hampshire, United Kingdom, RG21 4EQ	30.93%	Group
Ordinary Shares (Zihipp Limited)		30.93%	Group
Zoompast Limited	Office 7, 35-37 Ludgate Hill, London, United Kingdom, EC4M 7JN	31.25%	Group
Ordinary Shares (Zoompast Limited)		31.25%	Group

⁽ⁱ⁾ All holdings are via ordinary shares unless separate classes are specified in the table.

⁽ⁱⁱ⁾ A fund in which the Group is a limited partner. Proportion of nominal value stated is equivalent to capital contributed to the partnership in question.

⁽ⁱⁱⁱ⁾ Voting % less than 50%.

The significant influence noted above has been determined in line with IAS 28 and Schedule 4 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

Company information

Company registration number

04204490

Registered office

2nd Floor
3 Pancras Square
Kings Cross
London
N1C 4AG

Directors

Sir Douglas Jardine Flint
(Non-executive Chairman)

Gregory Simon Smith
(Chief Executive Officer)

David Graham Baynes
(Chief Financial and Operating Officer)

Alan Aubrey
(Chief Executive Officer)
(resigned from the Board on 6 October 2021)

Michael Charles Nettleton Townend
(Chief Investment Officer)
(resigned from the Board on 6 October 2021)

Dr Caroline Anne Brown
(Non-executive Director)

Heejae Richard Chae
(Non-executive Director)

Aedhmar Hynes
(Non-executive Director)

Dr Elaine Sullivan
(Non-executive Director)

Professor David Knox Houston Begg
(Senior Independent Director)
(resigned from the Board on 9 June 2021)

Company secretary

Angela Leach

Brokers

Bank of America Merrill Lynch
Financial Centre
2 King Edward Street
London
EC1A 1HQ

Numis Securities Limited
London Office
45 Gresham Street
London
EC2V 7BF

Joh. Berenberg, Gossler & Co. KG
60 Threadneedle Street
London
EC2R 8HP

Registrars

Link Group
10th Floor
Central Square
29 Wellington Street
Leeds
LS1 4DL

Bankers

Royal Bank of Scotland
PO Box 333
Silbury House
300 Silbury Boulevard
Milton Keynes
MK9 2ZF

Solicitors

Pinsent Masons LLP
30 Crown Place
Earl Street
London
EC2A 4ES

Independent auditor

KPMG LLP
15 Canada Square
London
E14 5GL

Shareholder notes

IP Group plc
2nd Floor,
3 Pancras Square,
Kings Cross,
London, N1C 4AG
T +44 (0)20 7444 0050
F +44 (0)20 7929 6415
www.ipgroupplc.com

